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FINANCIAL TIMES

Monday May 11 1992 — EUROPE'S BUSINESS NEWSPAPER — D 8523A

UN agrees global warming pact for Rio Earth Summit

The draft of a treaty to curb greenhouse gas emissions, which threaten to change the earth's climate, has been agreed by a 143-country United Nations committee. The document is likely to become the centrepiece of next month's Earth Summit in Rio de Janeiro.

The text, approved after long and difficult negotiations, should also open the way for US president George Bush to attend the summit, though only at the cost of a weaker treaty than originally sought. **Page 18; Editorial Comment, Page 16**

Rouble fixed 'in autumn': The task of fixing the rouble exchange rate within a 7½ per cent fluctuation band will not be attempted until "some time this autumn". **Page 3**

Midland protests: Midland Bank has told the Bank of England its business could be seriously damaged by Lloyds Bank's tactics in its takeover battle for the UK clearer. **Page 19**

LA pull-out: US troops sent to help quell racial violence in Los Angeles completed their withdrawal, leaving behind National Guard and the police to maintain order. **Quayle rejects policy shift, Page 4**

Loans with strings: The World Bank will link loan volume to the strength of a country's efforts to fight poverty, according to a directive to staff from bank president Lewis Preston. **Page 4**

European Monetary System: Sterling has moved up to fifth from bottom in the EMS grid after a strong performance last week against the D-Mark and most other EMS currencies. It is now nudging the German currency as it comes close to its EMS central rate of DM2.95. Analysts say sterling could soon reach DM2.97. The French franc remains third from bottom, despite a similarly strong performance last week. The markets will examine German retail sales figures today and Britain's RPI on Friday for signs of economic strength. **EC finance chiefs agree growth measures, Page 18; Policymakers take hard look at Emu, Page 19; Currencies, Page 29**

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. Currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 per cent fluctuation bands.

G7 advice to east: Trade ministers from the Group of Seven industrialised nations spelt out what east European countries and the former Soviet Union must do to attract more foreign investment. **Page 4**

Church wrath on pay: The Archbishop of Canterbury criticised businessmen who awarded themselves big pay increases during the recession. **Page 18**

Thais amend constitution: Nine government and opposition parties agreed to amend Thailand's constitution in an attempt to end a month-long crisis. **Page 6**

Float glass breakthrough: Pilkington, UK glass group, is set to invest £40m ($70m) to help build Poland's first float glass plant. **Page 19**

EBRD innovation: The European Bank for Reconstruction and Development has brought in commercial banks for the first time as participants on one of its loans to an eastern European borrower. **Page 19; EIB loans for Latin America, Page 2**

Election violence: Filipinos go to the polls today to elect a president to replace Corazon Aquino after a campaign marked by growing violence. **Page 6; Picture, Page 18**

Pirelli Tyre Holding, Dutch-listed tyremaking arm of Italy's Pirelli group, saw annual net losses widen to Fl 511m ($275m) in 1991 from just Fl 9m in 1990 because of difficult market conditions, and reorganisation costs. **Page 21**

General Electric Capital of the US has paid some $126m for a 1.85 per cent stake in Banco Bilbao Vizcaya (BBV), giving BBV access to GE Capital's UK credit operations. **Page 21**

Karabakh conflict: Azerbaijan said it recaptured the town of Shusha in the Nagorno-Karabakh enclave but Armenia insisted its fighters still held the vital centre.

Miners found dead: Rescue teams found the bodies of 11 miners trapped by a methane gas explosion at a coal mine at Stellarton, Nova Scotia, eastern Canada. Another 16 are unaccounted for.

Advertising cap attacked: Italian media magnate Silvio Berlusconi has denounced a decision by a watchdog body capping his television advertising receipts. **Page 2**

Indian stocks rocked: Indian monetary authorities tried to prevent an uncontrolled slide in stock prices as fresh financial scandals undermined investor confidence. **Page 6**

Strike settlement likely to put pressure on German inflation

Bundesbank warns on pay deal

By Christopher Parkes in Bonn

FURTHER upward pressure on west German inflation is inevitable after last week's public services pay deal, the Bundesbank president and local government leaders warned at the weekend.

The settlement, which will add 5.12 per cent to federal, state and local authority pay bills, will also have "regrettable consequences" for postal and travel charges and boost expectations among private sector employees, according to Mr Helmut Schlesinger, the central bank president.

"The situation has not been made any easier for us," he said after an EC finance ministers' meeting in Oporto, Portugal.

Mr Schlesinger's comments, his first since last week's strike settlement, further underline the Bundesbank's determination not to relax monetary policy until there are clear signs of deceleration in money supply growth and a turndown in inflation, currently running at an annual rate of about 4.5 per cent.

Mr Hans Gottfried Bernrath, president of the local authorities association, said charges for labour-intensive services, such as rubbish collection, would be especially affected. People would also have to pay more for child-minding facilities, colleagues warned.

Engineering employers and unions, meanwhile, prepared for their expected showdown this week. A meeting in the southern state of Hesse this morning would be the companies' "last chance" to present a negotiable offer, said Mr Franz Steinkühler, leader of the IG Metall union.

Mr Steinkühler, representing 4m workers, again threatened a long and hard strike. If the employers failed to increase their 3.3 per cent offer, "then the ballot and strikes will come much more quickly than some desktop strategists and loudmouths think," he told a rally in Karlsruhe.

Although he showed some signs of flexibility, calling for not less than 6 per cent in place of the union's initial 9.5 per cent demand, there was no indication yesterday that the employers were prepared to give ground. Most have been long reconciled to a bruising conflict.

Up to 200,000 metalworkers are expected to respond today to renewed calls for "warning strikes", as the engineering negotiations move to centre stage in Germany's bitter wages rounds.

Disruption hit many private sector companies last week as building, and printing workers joined the engineers in protest stoppages, but the effects were blurred by the dominating influence of the first national public services strike in 18 years.

Following the public sector settlement, to be put to a membership vote today, the engineers are likely to throw their full weight behind their own campaign.

Complaints continued at the weekend from public services workers disappointed by the outcome of their strike. Ms Monika Wulf-Mathies, president of the main union involved, ÖTV, insisted that its "political and material effects deal should not be underestimated".

Over 80 per cent of the 2.3m workers affected would have an average increase of 6.2 per cent, she said. Ms Wulf-Mathies, who is expected to stand for re-election in June, faces a crucial test this week as her membership votes on the package.

Although the necessary 50 per cent "yes" vote seemed the probable outcome, resentment was still strong at the weekend among members in big cities, where living costs are highest and where most of the strike action was focused.

Veto row may delay Russia's IFC entry

By George Graham in Washington

A ROW over the US's voting power in the International Finance Corp (IFC), the World Bank affiliate charged with promoting private sector investment in developing countries, threatens to delay further membership of the organisation by Russia and the other former Soviet republics.

IFC board members have agreed in principle to approve the membership of the republics. They have also resolved an earlier problem by agreeing to recommend to their governments a selective capital increase to be subscribed to by the republics.

But a meeting to conclude the membership package broke up abruptly last week over a proposal to change the IFC's rules to preserve the US's de facto veto over certain decisions.

Some senior officials now worry that the wrangling could lead to damaging delays in the Washington-based organisation's efforts to start work in Russia and the other republics.

The new shares to be issued to the republics would dilute the US's stake in the IFC below its current 24.08 per cent level, although the exact dilution will depend on whether Switzerland votes in favour of joining the corporation, along with the International Monetary Fund and the World Bank, in a referendum on May 17.

The US stake is in practice enough to block decisions such as capital increases, which require approval from members holding 75 per cent of the voting shares, or changes to the corporation's articles, which need 80 per cent approval.

Indeed, the US last year blocked an IFC capital increase in a bid to redirect the activities of its parent, the World Bank, towards private sector projects.

Most member countries appear ready to agree to preserve the US veto by increasing the number of votes required – probably to 80 per cent for capital increases and 85 per cent for changes to the articles. There seems little enthusiasm for the rule change, but it is seen as the price of winning speedy US acceptance of the Russian membership package.

France and some Nordic coun-

Continued on Page 18
Rouble fixing delayed, Page 3

Serbs cut off supplies to Sarajevo

By Laura Silber in Belgrade

SERB irregular forces, backed by the Yugoslav federal army, yesterday tightened their grip around Sarajevo, the capital of Bosnia-Hercegovina, after a weekend of heavy fighting in which 43 people were injured and several buildings, including the headquarters of the Bosnian Red Cross, were set ablaze.

The siege of the city coincided with the publication of new casualty figures. Mr Haris Smajkic, a Bosnian health ministry official, yesterday said at least 1,320 people had been killed, 6,700 wounded and 1,900 reported missing since the fighting began six weeks ago. In addition, 320,000 people have been displaced, and more than 350,000 have left the republic since it declared independence last month.

The repeated air and artillery bombardment of Sarajevo signals a determined effort by the Serb-dominated Yugoslav army to crush resistance by Bosnian Territorial Defence forces. These forces are mostly Moslem and Croats.

The appointment of General Ratko Mladic, who yesterday replaced Gen Milutin Kukanjac as commander of the federal army headquarters in Sarajevo, confirms an even more aggressive stance by the federal army.

Gen Mladic was the hardline federal army commander of the Knin corps, a Serb stronghold in Croatia. He is also a close ally of Mr Radovan Karadzic, the leader of Bosnia's Serbian Democratic party, whose own paramilitary wing is besieging Sarajevo.

As Serb irregulars wage a war of attrition on the Bosnian capital, all food supplies to the inhabitants of the city have been halted. Serb gunmen have erected road blocks on all routes leading to Sarajevo. The federal army controls the airport. Both forces have completely blocked the delivery of medicines. Bosnian health officials say blood and medical supplies have been exhausted.

The constant artillery assaults have badly damaged the city telecommunications network, and Radio Sarajevo regularly carries desperate messages from people trying to contact missing relatives.

Serb forces have also repeatedly attacked Sarajevo radio and television transmitters, to try to further erode the authority of the Bosnian government.

The government is backed by the Moslems, who make up 44 per cent of the republic's 4.35m population.

A witness yesterday described the grim existence of the inhabitants of the city, whose peace-time population is 525,000. He said: "People leave their shelters during a lull in the fighting. They go outside to try to keep up some sort of a life. But shells fall around them and snipers will shoot at anything."

Bosnian leaders have again appealed for the despatch of United Nations peacekeepers and foreign military intervention.

Elsewhere in the republic, the south-western city of Mostar is also under attack.

The European Community and the US so far have ruled out military intervention.

Firefighters in Sarajevo tackle a blaze at the Red Cross building which was hit by federal army artillery fire yesterday

Concern over jobless given priority on OECD agenda

By Peter Norman, Economics Correspondent, in London

THE WORLD'S leading industrialised countries have placed unemployment back at the top of the international economic agenda, as concern has grown in several nations at a sharp rise in jobless totals over the past two years.

Unemployment and wider social issues such as crime, inner city decline, immigration and racial and religious intolerance will be tackled in the first session of a two-day meeting of ministers from the 24 industrialised member states of the Organisation for Economic Co-operation and Development (OECD) that starts in Paris a week today.

The issue will be given more prominence than at any time since the early 1980s, reflecting rapid growth in unemployment in the OECD area to 30m from less than 25m two years ago.

France, the US and the OECD secretariat have been especially keen to put unemployment high on the agenda. But Britain, which last week omitted any reference to unemployment in the Queen's speech outlining Mr John Major's legislative programme, is adopting a low-key approach to the OECD talks. Mr Michael Portillo, the new chief secretary to the Treasury, will go to Paris instead of Mr Norman Lamont, the chancellor, accompanied by junior trade and foreign ministers.

The 5m jump in unemployment since 1990 has reversed most of the fall in OECD jobless achieved through strong growth in the 1980s. The rise is viewed with particular concern because people in virtually all age groups and skill categories are affected. The OECD is especially worried about Europe, where unemployment is increasingly a white collar phenomenon and is expected to remain high for some years.

The OECD's latest standardised jobless statistics showed that unemployment affected 9.2 per cent of the European Community's workforce in February compared with an average OECD unemployment rate of 7.2 per cent. The organisation has warned that developments in March pointed to "a possible further deterioration in the OECD unemployment situation".

At the weekend, however, EC economics and finance ministers

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Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht60
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Berlusconi denounces capping of TV receipts

By Robert Graham in Rome

MR Silvio Berlusconi, the *Italian media magnate*, has angrily denounced a decision by a watchdog body capping his television advertising receipts.

The potential loss to Mr Berlusconi's Fininvest group this year could be L300bn ($240.7m). Over the weekend Mr Berlusconi *said he would be contest*ing the decision in the courts.

The cap was imposed by Prof Giuseppe Santaniello, who acts as the media ombudsman, who claimed that the dominant position reached by Mr Berlusconi's *TV stations in the adver*tising market was limiting competition.

Mr Berlusconi's main channels – Channel 5, Italia 1 and Network (Rete) 4 – account for 56.8 per cent of all Italian TV advertising. With his smaller *channels such as Junior TV* and Italia 7, his group controls 60.1 per cent.

The three channels of RAI, the state-owned TV, generate only 28 per cent of total TV advertising, while Tele Monte Carlo, the next most important private group, accounts for only 3 per cent.

In February some 30 newspaper and magazines publishers and TV station owners lodged a complaint against Fininvest's "monopoly" position. The complaint addressed Mr Berlusconi's position in the print media as well as TV as a result of his acquisition of control of the Mondadori publishing group in April 1991.

The publishers were concerned that in a declining market where TV was taking an increasing share from the print media, Mr Berlusconi had *acquired a position where he* could dictate prices and profit unfairly from the synergy of his group.

The TV networks claimed Mr Berlusconi was undercutting rates since he had been able to acquire his TV channels at low cost.

The first complaint was rejected by Prof Santaniello but the second was partly sustained.

The publishers have offered to discuss the situation with Mr Berlusconi; but he rejected this over the weekend. The affair has focused attention on the granting of TV licences in Italy, and there is likely to be renewed pressure for Mr Berlusconi, who is identified closely with the Socialist party *of Mr Bettino Craxi, to have* his TV empire reduced.

On tour: Jacques Delors, president of the European Commission (left), surveys Seville's Expo '92 with European parliament president Egon Klepsch during a ceremony at the weekend at the EC pavilion

EC sees problems in third country links with ERM

By Patrick Blum and David Gardner in Oporto, Portugal

EUROPEAN finance ministers meeting in Oporto at the week*end pointed to the difficulties* inherent in having non-EC countries such as Sweden formally linking their currencies to the exchange rate mechanism of the European Monetary System.

Mr Norman Lamont, the British chancellor of the exchequer, said: "We want to extend the zone of monetary stability in the continent of Europe." However, this would require close study of the technical and practical implications.

A Danish official said: "It is not clear what joining the EMS would mean for these countries."

Mr Carlos Solchaga, the Spanish economy minister, insisted that any agreement with *third countries "should* not put at risk the motor role of the EMS in preparing for monetary union".

A report will be prepared for the next finance ministers' meeting in June.

Under the EMS, currencies which come under pressure benefit automatically from multilateral action by the Community's central banks.

Countries whose currencies are at present outside the EMS *have to make their own* arrangements.

Sweden, which has applied to join the EC, wants to set bilateral parities with EMS currencies such as the D-mark, effectively putting the krona into the *ERM*.

Norway and Finland have unilaterally linked their currencies to the Ecu, while Austria has unofficially pegged the schilling to the D-mark.

Central and eastern European countries may soon be *seeking similar links.*

Ministers agree to EIB loans for Latin America

By Patrick Blum and David Gardner

THE European Investment Bank (EIB) is to be allowed to lend to Latin America and to *countries with which the Euro*pean Community has co-operation agreements, European finance ministers agreed in Oporto on Saturday.

The decision mainly affects Latin America, as the EC has *separate arrangements for* other regions.

Ministers set a ceiling of Ecu250m (£175m) annually over three to four years for EIB lending for specific projects to be agreed on a case by case basis.

Mr Carlos Solchaga, the Spanish finance minister, was enthusiastic about the agreement which will be reviewed in three years. He said: "We've broken the barrier preventing Latin America from getting EIB loans." Spain and Portu*gal, which have close ties with* Latin America, had been pressing to allow EIB lending to the region.

A mechanism to establish guarantees for the loans *has* yet to be established. Mr *Michel Sapin, the French* finance minister, said France was not in favour of guarantees coming from the Community's budget, but he expected that a solution would be found within weeks.

● *The EC foreign ministers* stressed the importance of the International Monetary Fund and the World Bank in co-ordinating financial assistance to the states of the former Soviet Union.

This did not exclude an EC role, said Mr Jorge Braga de Macedo, Portugal's finance minister.

But Mr Norman Lamont, UK chancellor, was more cautious, saying that "until these countries have IMF programmes in place, [EC] assistance would *not* be appropriate".

Bérégovoy insists France must lead over Maastricht

By William Dawkins in Paris

MR Pierre Bérégovoy, the French prime minister, yesterday warned that Europe would come apart unless France showed the lead and ratified the *Maastricht* Treaty on European Union.

French politicians who opposed the treaty on grounds of national sovereignty were living in the wrong era, said Mr Bérégovoy, in his first full-length television debate since becoming prime minister *on April 2.*

"If the treaty is not ratified by France, which in my view must show the way, or by any other country, then Europe risks coming apart," he said.

"Germany, which is today *integrated into Europe*...could be at that moment left to follow its own free will," he added.

Mr Bérégovoy's remarks came ahead of a national assembly vote due tomorrow on the constitutional changes required by the treaty in the *first step towards ratification.*

Ashley Ashwood

Bérégovoy: 'Europe risks coming apart'

A majority is expected to vote in favour, but the government has been surprised by a larger than expected minority, mostly on the right, against the European Community generally. Nearly half the Gaullist members of parliament – led by Mr Philippe Seguin, MP for Vosges in north-east France – came out in favour of throw*ing out the treaty.*

Mr Seguin's arguments belonged to the time of Bis*marck*, said *Mr Bérégovoy*, referring to the 19th century German chancellor.

The constitutional changes are due to go to the senate, the upper house of parliament, on May 20, and then for ratifica*tion by a joint sitting of* both houses, known as the congress, next month.

Mr Bérégovoy thought it possible that the treaty might also have to go to a national referendum, though this was "not *indispensable*".

A referendum is needed if the project fails to get a three-fifths majority in the congress. However, Mr Bérégovoy said the government would also consider whether a referendum *was desirable in the light of* the parliamentary debate.

Until now, the government appeared against a referendum on the grounds it might produce another protest vote against President François Mitterrand, instead of an accurate public opinion on the treaty itself.

NEWS IN BRIEF

Greece to suspend phone tap charges

GREECE'S ruling conservatives are to suspend charges of illegal telephone tapping against Mr Andreas Papandreou, the former Socialist prime minister, writes Kerin Hope in Athens.

Parliament will vote this week on Prime Minister Constantine Mitsotakis's proposal that no further legal action be taken. Mr Papandreou denies accusations that he ordered the Greek secret service to tap telephones belonging to Socialist cabinet ministers, journalists and conservative politicians *while in office* in 1989.

Sweden orders fighter jets

Sweden is to go ahead with an order for 110 JAS 39 Gripen multi-purpose fighters two days after the Swedish consortium manufacturing the aircraft failed to win a FM13bn ($531m) order from Finland, *writes Robert Taylor in Stock*holm.

The total cost of the controversial JAS programme is now estimated to be SKr57.8bn. An initial order of 30 JAS planes for the Swedish air force will *start being delivered next* year. Deliveries of the latest order will start in 1996. To date, no foreign country has ordered the JAS 39 but the consortium hopes it will find customers in central and eastern Europe.

German police hurt in clashes

Groups of right- and left-wing youths clashed with police in a north German town overnight, *injuring 14 policemen, Reuter* reports from Hamburg.

Police said 28 youths, 21 leftists and seven skinheads, were arrested during the clashes in Itzehoe, Schleswig-Holstein. Most of the injured policemen were hit by stones. The clashes erupted after a meeting of rightists.

Giscard and Chirac agree primary poll

By William Dawkins in Paris

FRANCE'S two main opposition leaders have agreed *for the first time to hold a pri*mary poll to choose a single *candidate to contest the next* presidential election.

Former president Mr Valéry Giscard d'Estaing, head of the UDF centre-right party, and Mr *Jacques Chirac*, former prime minister and head of the Gaullist RPR, have asked senior party officials to agree on a primary voting system before July 1, said Le Monde newspaper.

President François Mitterrand's second term expires in *May 1995.*

This brings to a climax repeated recent efforts by Mr Chirac and Mr Giscard d'Estaing, fierce rivals, to smooth over some of the divisions between and within their parties, highlighted by the opposition's disarray in last week's parliamentary debate on the Maastricht Treaty on European *Union.*

Mr Chirac stood against Mr Giscard d'Estaing in the 1981 presidential poll, a split which was said at the time to have been a factor in the Socialists' surprise election success. Mr Chirac stood again, unsucessfully, at the next presidential *election in 1988.*

The two party leaders agreed at a private meeting last week that votes in an opposition primary should be cast by an electoral college of 60,000 senior party members, made up of members of parliament and local councillors, according to Le Monde.

Fair play would be umpired by a committee of respected personalities, accepted by both sides.

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CONTRACTS & TENDERS

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Japanese Untied Non-Project Grant Aid

The Government of the Republic of Zambia has received a Grant from the Government of Japan to contribute to the promotion of economic structural *adjustment and it is intended to apply part of the proceeds of this Grant for eligible* payments under the contract for which this invitation to bid is issued.

In this respect the Government of the Republic of Zambia have authorised the Crown Agents for Overseas Governments and Administrations to act as its procurement agent and the Crown Agents now invite bids from eligible bidders from OECD/DAC countries (excluding Zambia) for the supply of the following:

Fertilizer - Urea, bagged, quantity - 30,000 Tonnes.

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Crown Agents, St. Nicholas House, Sutton, Surrey, SM1 1EL, U.K. Attention: Mr C.W. Gilbert, Department BJ, Ref: "BJSB 2/FERT" Telex: 916205 CALONDG, Facsimile: +44 81 643 0038

Documents may also be obtained from our offices in:

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London SW1X 7HB
Tel: 071-823 2242 Fax: 071-823 1813

Contact: Gustavo Mohar Pemex Representative

LEGAL NOTICES

Advertisement of creditors' meeting under Section 48(2) of the Insolvency Act 1986
Company No 1808578 Registered in England and Wales

RENCORE (ELECTRICAL) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at: Melrose House, 42 Dingwall Road, Croydon, CR0 2NE on 20 May 1992 at 10.00am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver(s) under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:

(a) they have delivered to me at the address shown above, no later than noon on 19 May 1992, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the Creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed: N J Vooght, Joint Administrative Receiver

Notice of Appointment of Joint Administrative Receivers

RUSKCROFT LIMITED

Registered number: 2372417

Nature of business: Directors of sound, music and visual programmes. Trade classification: 38. Date of appointment of joint administrative recievers: 30 April 1992. Name of person appointing the joint administrative receivers: National Westminster Bank plc

T R Harris and I D B Bond: Joint Administrative Receivers (Office holder nos 128 and 030)
Cork Gully Shelly House 3 Noble Street
London EC2V 7DQ

Notice of Appointment of Joint Administrative Receivers

SEPIAN LIMITED

(Trading as Communications Unlimited)

Registered number: 1598315

Nature of business: Directors of sound, music and visual programmes. Trade classification: 38. Date of appointment of joint administrative receivers: 30 April 1992. Name of person appointing the joint administrative receivers: National Westminster Bank plc

T R Harris and I D B Bond: Joint Administrative Receivers (Office holder nos 128 and 030)
Cork Gully Shelly House 3 Noble Street
London EC2V 7DQ

Notice of Appointment of Joint Administrative Receivers.

GARY BAILEY LIMITED

Trading name: Baileys

Registered number: 1492713

Nature of business: Property Company. Trade classification: 35. Date of appointment of joint administrative receivers: 28 April 1992. Name of person appointing the joint administrative receivers: Lloyds Bank plc

David R Wilton and Ian Napier Carruthers: Joint Administrative Receivers (Office holder nos 5708 and 8682)

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TRAVEL

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Russia delays fixing rouble exchange rate

By Anthony Robinson and Martin Wolf

THE "difficult and tremendous task" of fixing the rouble exchange rate within a 7½ per cent fluctuation band on either side of a central rate will not be attempted until "some time this autumn", according to Mr Georgy Matiukhin, chairman of the Central Bank of Russia. The government had earlier indicated its intention to fix the rouble on August 1.

The first stage of Russia's "serious move towards convertibility of the rouble" is to begin on July 1 with the abolition of multiple exchange rates and the introduction of a unitary floating rate of exchange.

After presiding over a meeting of the governing council of the re-capitalised Moscow Narodny Bank in London on Friday, Mr Matiukhin made clear that convertibility would have to be backed by a tight credit policy. In addition, a sophisticated system of currency exchanges must be created throughout Russia and the other republics of the former Soviet Union, backed by adequate communications.

Mr Matiukhin said there would be no special exchange rate for capital transactions, but non-residents would not be allowed to buy the rouble freely until it had appreciated from present undervalued levels and could be fixed. So-called "cashless" rouble accounts should also be made convertible into cash before floating commences.

Mr Matiukhin said he had emphasised to the central banks of the other republics that the rouble was the national currency of Russia. Preparations for the introduction of convertibility – to be initially limited to current account transactions for Russian residents only, and later extended to residents of other republics and to capital inflows – had already led to closer co-operation between republican central banks.

"Many of them used not to turn up for sessions of the inter-republican central bank council. But all 15, including the Baltic republics, Ukraine and others who are contemplating issuing their own currencies, turned up at the last meeting," he said.

Rules on the distribution of cash, common interest rates and common obligatory reserve ratios had already been agreed. They had also established correspondent accounts between central banks, which resemble a payments union. "Now what we are trying to agree is the limits on mutual credit." Limits on credit expansion will be needed in all the republics in what he called the "rouble zone".

The impending steep rise in the price of Russian oil and energy products will increase the balance-of-payments deficits of most of the 14 non-Russian republics with Russia. This will intensify their need for Russian financial assistance, which will only be available if they remain in the rouble zone. The other republics will also have to increase their exports to Russia to reduce their deficits.

Though the Baltic republics are expected to be the first to issue their own currencies they are "likely to be like the Scottish pound to start with", Mr Matiukhin said, in a reference to the way some Scottish banks retain the right to issue bank notes, but under Bank of England control.

He also said that the International Monetary Fund agreed with Russia on the need to preserve the rouble zone.

Eight die in Tajik protest

RIOT police in the former Soviet republic of Tajikistan opened fire on a crowd in the capital Dushanbe yesterday, killing at least eight people and wounding many more, witnesses said, Reuter reports from Dushanbe.

Interfax news agency quoted General Anatoly Martovitsky, head of Tajikistan's national border guards, as saying a crowd of armed people had tried to break into the KGB building, where some government officials have been hiding since the conservative leadership, under President Rakhmon Nabiyev, collapsed last week.

Police initially fired warning shots in the air, but their fire was returned from the crowd, Gen Martovitsky said. The police then fired directly into the crowd, which scattered. There were dead and wounded on both sides, he added.

The shooting shattered a brief period of calm which followed Thursday's victory by Moslem and democratic forces protesting against the government of the central Asian state.

● Right: protesters in Dushanbe demonstrate against Mr Nabiyev on Saturday.

Central Asian talks fail

By Gillian Tett in Ashkhabad

THE former Soviet Union's five central Asian states, plus Turkey, Iran and Pakistan, failed at the weekend to agree on a framework for their economic integration at a summit meeting in the capital of Turkmenistan. A central obstacle was the political rivalry between Turkey and Iran in the area.

The proposals under discussion included the construction of road and rail links between Turkmenistan and Iran which would link the newly-independent central Asian states with their neighbours in the south.

Other items on the agenda were a united customs policy, various trade agreements and proposed oil and gas pipelines from central Asia to Turkey and Iran. The most controversial proposal was the plan for an oil pipeline between Kazakhstan's Tengiz oilfields and the Gulf port of Bandar Abbas.

This was blocked by both Kazakhstan and Turkey, which fears it would give Iran a potential stranglehold over central Asian oil exports.

The participants did, however, reaffirm their commitment to the less concrete goal of political co-operation.

Iran poll victory for Rafsanjani

By Tony Walker and Kamran Fazel in Tehran

SUPPORTERS of Iran's pragmatic President Ali Akbar Hashemi Rafsanjani have won a landslide victory in parliamentary elections, routing radicals who had opposed economic reforms and a gradual opening to the west.

In Friday's second round of balloting, candidates with the president's backing achieved a virtual clean sweep in the crucial Tehran area, which contributes 30 representatives to the 270-member majlis (parliament).

Candidates sympathetic to Mr Rafsanjani's relatively moderate policies were also successful in provincial areas.

About three quarters of the parliamentarians are expected to be Rafsanjani supporters. Counting is expected to be completed early this week.

Previously, Mr Rafsanjani encountered difficulties getting reformist economic legislation through the majlis, and on occasions radical elements sought the dismissal of members of his government.

Mr Rafsanjani is an advocate of economic liberalisation, while his opponents favour continuing state control and a programme of subsidies to protect the living standards of the poor.

Mr Mohammed Javid Larijani, foreign policy adviser to Mr Rafsanjani, and Mr Rajai Khorassani, Iran's former United Nations representative, were among the moderates elected.

Eight women, including five from Tehran, are expected to take their seats in the new majlis, compared with four in the old parliament.

Leading militants apparently shunned by electors included the former speaker, Mr Mahdi Karroubi, and his fellow cleric Mr Mousavi Khoeniha, who was the ringleader in the 1979 seizure of the American embassy in Tehran.

Another prominent radical casualty was Mr Ali Akbar Mohtashemi, who when interior minister was responsible for exporting Iran's revolution, especially to Lebanon, where he was one of the founders of the militant Hezbollah group.

Both Iranian and western observers are describing the result as a slap in the face for the militants, who have presented themselves as the true heirs to the radical line of Iran's late spiritual leader Ayatollah Khomeini.

Turkish plea over Nagorno-Karabakh

By John Murray Brown in Istanbul

TURKEY has called for the United Nations Security Council to intervene in Nagorno-Karabakh, amid intensified fighting in the disputed Armenian enclave in Azerbaijan.

Under growing domestic pressure to side with the Moslem Azeris, Turkey warned Armenia not to make any move to redraw the borders, following reports of the fall of the last Azeri stronghold.

The latest fighting shatters a ceasefire brokered by Iran and signed in Tehran on Friday by Azerbaijani President Yagub Mamedov and Armenian President Levon Ter-Petrosian.

Officials confirmed Turkey had sent a letter to the UN after making a strong comment on the conflict, which has claimed more than 1,500 lives over the past four years.

"We want the UN to send observers to Nagorno-Karabakh and start working on a ceasefire... The Republic of Turkey will not accept the redrawing of the borders by the use of force," said Mr Erdal Inonu, Turkey's deputy prime minister, after an emergency cabinet meeting on Saturday.

Turkey's warning follows renewed hostilities over the weekend and news that Armenian forces had taken control of Shusha, a strategic Azeri town overlooking the regional capital Stepanakert. Azerbaijan said yesterday it was battling to retake the town, in the Caucasian region.

The fighting has jeopardised Turkey's efforts to settle its long dispute with Armenia.

NEWS: INTERNATIONAL

World Bank links loan volume to poverty relief

By Michael Prowse in Washington

THE World Bank will link loan volume to the strength of a country's efforts to fight poverty, according to an operational directive to staff issued today by Mr Lewis Preston, the bank's president.

The link between loans and poverty relief forms part of a new drive to make poverty alleviation the bank's central mission in the 1990s.

The shift in priorities is also reflected in a commitment to make comprehensive assessments of the nature and extent of poverty in the third world, allowing the bank to design more effective policies to fight poverty.

In the directive, Mr Preston says poverty reduction is "the benchmark by which our performance as a development institution will be measured". He adds that the new instructions to staff are intended to "ensure that these policies are fully reflected in the bank's operations".

The bank is also publishing a handbook containing examples of past best practice on poverty reduction.

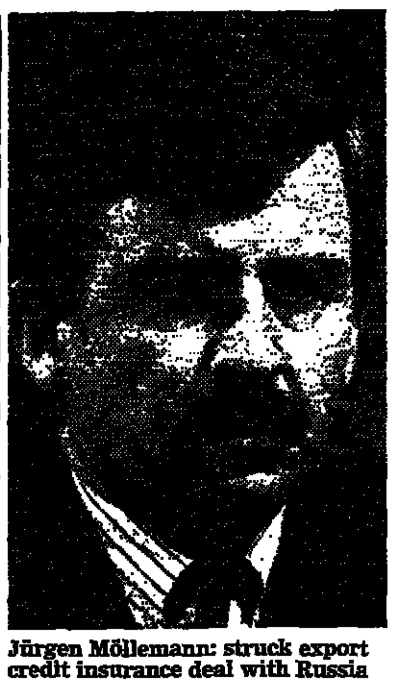
The bank says poverty assessments should be available for most developing countries within two years. These would form the basis for a "collaborative approach to poverty reduction by country officials and the bank".

The directive signals an attempt to impose a form of "social conditionality" on borrowing countries. "Stronger government commitment to poverty reduction warrants greater support; conversely, weaker commitment to poverty reduction warrants less support," it says.

Mr Preston's emphasis on poverty is a reaction to bank policies in the 1980s, when the aim was to improve economic efficiency in developing countries. The new directive says structural adjustment lending in the past decade "overshadowed the bank's poverty reduction objectives".

The bank is also reacting to new evidence suggesting that the number of poor in developing countries will rise during the 1990s, rather than stabilise as had been expected.

Poverty his judge, Page 34



Jürgen Möllemann: struck export credit insurance deal with Russia

Western ministers attempt to strengthen hand of reformers

G7 lists investment terms for east

By Quentin Peel in Bonn

TRADE ministers from the Group of Seven industrialised nations spelt out at the weekend actions needed from the countries of eastern Europe and the former Soviet Union to attract more foreign investment.

They also agreed that western economies must open their markets to more imports from the former communist states.

The list of necessary measures – including the legal protection of foreign investment and private property, reliable banking systems, clear rules on responsibility for environmental damage, and well-defined contract laws – was agreed with economics and trade ministers from the seven most important eastern economies at an "east-west trade summit" in Münster.

It amounts to a deliberate move by the G7 countries to strengthen the hands of market reformers in eastern Europe, when facing hostility to foreign investment.

However, the most substantive result to emerge from the two-day conference, organised by Mr Jürgen Möllemann, German economics minister, in his home town, was a separate deal between Germany and Russia allowing the resumption of Hermes export credit guarantees on German exports.

In bilateral discussions, Mr Andrei Nechayev, Russian economics minister, was able to satisfy his German counterpart that Russia would give governmental counter-guarantees for Hermes-backed trade, the absence of which has effectively blocked new contracts for German exports since the collapse of the Soviet Union.

The deal means that guarantees from Hermes, Bonn's leading export credit agency, can now be given up to a ceiling of DM5bn (£1.7bn) this year, although this level will be reviewed every three months. German exporters, above all those from former East Germany, have been badly hit by the absence of export credit insurance to Russia.

Ms Barbara Franklin, US commerce secretary, said after the conference that the eastern delegates welcomed pressure for a reliable legal framework for foreign investment.

Mr Nechayev admitted the Russian parliament, more conservative and suspicious of economic reform than the government, had held up passage of such legislation. He hoped a satisfactory legal framework for investors would soon be in place.

Angola hovers between recovery and the abyss

By Michael Holman, recently in Angola

IT HAS the makings of a nightmare, concluded a senior western diplomat in Luanda after reviewing obstacles in the way of multi-party elections in Angola on September 29-30.

One year after President Jose Eduardo dos Santos and Mr Jonas Savimbi, the Unita rebel leader, agreed to end a 16-year civil war, the military disengagement programme is in trouble, election preparations are inadequate and the UN monitoring team is overstretched.

The stakes are high. A successful poll would be a milestone in southern Africa's peace process; failure to hold free and fair elections will dash hopes of a regional recovery in which oil-rich Angola could play an important role.

The past year has left Angola poised between recovery and fresh disaster.

In many respects, a remarkable transformation has taken place in a country which has been at war since independence in 1975. The ceasefire has held, roads once too dangerous to travel have opened up, and the ruling MPLA has completed an ideological somersault, abandoning Marxism and moving towards a market-driven economy. Old allies have been abandoned and former enmities put aside.

The 50,000 Cuban soldiers who fought alongside the MPLA in the battle against Unita and South Africa have long gone, seemingly forgotten, and a $3bn (£1.6bn) arms debt to the former Soviet Union has been repudiated.

Pragmatism has turned Pretoria from adversary to trading partner, and visiting South African businessmen wax enthusiastic about a market funded by diamond receipts and oil exports of more than 500,000 barrels a day and rising.

But the peace agreement which underpins a fragile recovery is under severe strain.

The pact called on soldiers and guerrillas from the rival armies to report to 50 assembly points, to be monitored by UN forces, before being demobilised or entering an integrated national army.

Implementation of the accord is deeply flawed, UN officers concede privately. Both sides, they suspect, have prepared arms caches while the demobilisation exercise itself is well behind schedule. The creation of an integrated national force has hardly begun, although August was the completion date.

The prospect of an election taking place before the disengagement of two bitter foes is complete is, in itself, the stuff of nightmares. But difficulties are being compounded by the weak bureaucracy's delay in establishing the administrative framework for what will be the first multi-party poll since independence.

Despite repeated urging by western diplomats and UN officials, it was not until the weekend that the government appointed an electoral commission. It has not yet begun the registration of voters among a population of some 10m, in a country five times the size of Great Britain.

The over-riding problem, say local diplomats, is the fact that the MPLA, acutely short of skilled personnel, is using the little it has to perform the rudimentary functions of government and conduct the party's fight for its political survival. It cannot run the election as well.

Many diplomats conclude that unless there is additional external help, the poll will either have to be delayed or would be so poorly organised as to lack credibility. Part of the answer, they believe, is to boost the strength and extend the role of the existing UN presence in Angola, operating under the mandate of last year's Security Council Resolution 747.

A UN team, expected to total 600 by polling day, is monitoring the transition and preparing to observe the election. No fewer than 10 times that number supervised neighbouring Namibia's transition to independence in 1989.

Ms Margaret Anstee, the official in charge of the UN operation in Angola, has no illusions about the task ahead. "I have to fly a 747 with only enough fuel for a DC3," she says.

It is tempting to add that, without more fuel, Angola's transition to democracy could be heading for a crash landing.

Jose Eduardo dos Santos: MPLA in fight for survival

Central Europe surveys an imperfect pact

Benefits from a trade accord with the EC could take time to materialise, writes David Marsh

THE EUROPEAN MARKET

THE European Community's trade liberalisation agreement with Poland, Czechoslovakia and Hungary is designed to give the countries' goods greater access to western markets. In practice, at least for the first few years, the main benefits will probably be felt not by industries in these countries but by their western competitors.

Well-financed and technologically superior exporters from the west are likely to profit more quickly from the advantages of free trade than struggling industries in the former communist states.

This would accelerate the process of structural change under way in central Europe – but could also heighten the risk of a political backlash as the economic pain spreads.

The mere act of signing the March 1 agreement was "the art of the possible", says Mr Karel Lukas, Czechoslovakia's ambassador to the EC. "It brought us closer to the Community. It was the maximum of what was possible."

Exporters from Czechoslovakia, like others from central and eastern Europe, have already made progress in carving out fresh markets in the west over the past two years. None the less, the accord runs the risk of being seen as lopsided.

Barriers are maintained on exports of key products such as steel, textiles, chemicals and glass, although they will be gradually lowered and removed altogether after 10 years. Curbs on sales of farm produce into the EC's heavily protected agricultural market will remain in force.

Confronted by a collapse in trade with the former communist bloc, many industries from the three central European countries have diverted export efforts to the west. But they still have a long way to go.

Illustrating the anxieties about whether the EC accord may prove to be inadequate, one official at the Organisation for Economic Co-operation and Development (OECD) in Paris says: "For the areas where they [the three] are most competitive, the industrialised countries are the most protectionist. This is virtually insoluble."

Possible problems ahead are underlined by OECD estimates of the balance of payments outlook for the countries. According to the projections, prepared for a series of international economic meetings in Paris beginning this week, the current account deficit of five central and eastern European countries will rise from $3.1bn (£1.75bn) in 1990 and $3.6bn in 1991 to $5.6bn in 1992.

The deficit – for Poland, Hungary, Czechoslovakia, Bulgaria and Romania – is projected to fall to $4.8bn in 1993.

Mitigating the gloom about future prospects, data collected by the OECD show that most central and east European countries succeeded in keeping foreign trade with the west on an even keel last year.

The exception was Poland, which saw its trade balance with the 24-nation OECD swing from a surplus of $1.2bn in 1990 to a deficit of $2.7bn in 1991. Poland managed only a moderate increase in exports, while imports soared. The OECD blames a deline in exports since the middle of last year partly on an overvalued zloty.

Czechoslovakia, by contrast, increased its exports to the OECD area by 39.2 per cent last year (measured in European currency units), against a rise of only 1.8 per cent in 1990. Hungary achieved a 20.8 per cent export rise, while Bulgaria increased exports by 30.2 per cent.

Mr Jan Truszczynski, an economic diplomat at Poland's EC office in Brussels, points out the extent to which his country has switched trade towards the EC.

In 1988, a year before a five-year trade and economic co-operation agreement between Poland and the EC came into force, the Community accounted for 28 per cent of Poland's total exports and imports.

Last year trade with the EC made up 54 per cent of exports and 48 per cent of imports. Mr Truszczynski emphasises, however, the twin pressures on Polish industries facing competition from abroad. Polish farmers are demanding faster liberalisation for their produce and are, at the same time, pleading for extra duties against "well-advertised, attractively packaged food products" pouring into their country.

Such imports are likely to continue. In view of the swing away from trade with the former Soviet Union and the other Comecon countries towards more integration with the west, the EC clearly has a greater responsibility than before for central and eastern Europe's economic fate.

Economic output in most of the states there is estimated to have dropped by between 10 and 20 per cent last year. On average, two thirds of the output decline is estimated to have been caused by the collapse in intra-Comecon trade.

This year a further decline in output, though at a slower rate, is expected across the region. The OECD is then hoping for a modest upturn from 1993.

Eventual hopes for recovery depend on the former communist states being able to develop efficient and well-managed export industries. Unless the west provides the markets, these efforts are unlikely to succeed.

Quayle rejects policy shift after Californian riots

By Jurek Martin in Washington

THE Bush administration's response to disturbances in Los Angeles will be based on the principles of "law enforcement, opportunity and values", according to Mr Dan Quayle, US vice-president.

Mr Quayle yesterday said President George Bush had told him on Saturday that the most important message he had picked up on his two-day tour of the riot-stricken city last week was the respect that people had for the Los Angeles Police Department and for those who had come in to restore law and order. "We are going to stand up for the law abiding, tax-paying Americans who contribute to the community," Mr Quayle insisted.

The vice-president promised a more activist administration approach, but no new programmes. Gun control, for example, was not part of the solution, he said. "Many of the Koreans in Los Angeles were glad they had guns," he said in a television interview.

He reiterated existing administration policies – including the creation of enterprise zones, wider home ownership and choice in education – as the correct response to inner-city problems. Most of these had been low on the White House political agenda before the Los Angeles disturbances, but Mr Quayle urged Congress to act on them swiftly.

Mr Bush is travelling to Philadelphia today presumably to deliver a similar message, although perhaps without the harder, more conservative edge associated with his vice-president. He has scheduled a meeting with congressional leaders tomorrow to discuss legislative action.

The president's political advisers are conscious of the risk, in an election year, of being too passive in responding to events in Los Angeles. However, the administration is patently divided between orthodox conservative philosophy, represented by Mr Quayle and emphasising law and order, and the more interventionist policy ideas advocated by Mr Jack Kemp, housing secretary, for the last three years without much success.

This internal tension explains why Mr Bush's own responses over the past 10 days have been so variable. These have ranged from a near acceptance that the acquittal of the policemen accused of beating Mr Rodney King was a miscarriage of justice to blaming inner-city problems on the liberal Great Society programmes enacted in the 1960s.

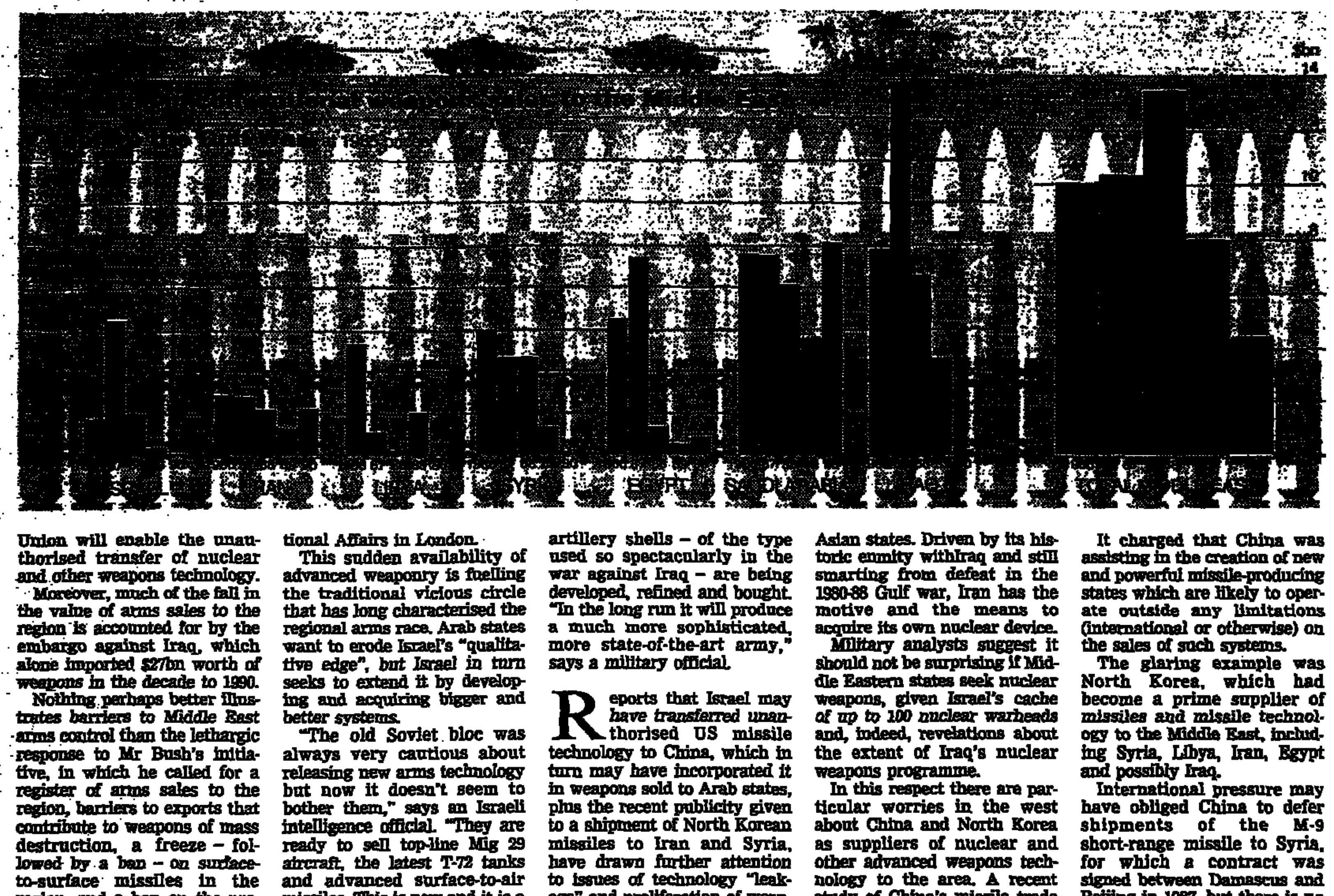
Mr Kemp said yesterday that the "Great Society did not cause the Los Angeles riots". He said it had provided "the net below which people should not fall, but not the ladder by which they could climb".

CONTRACTS AND TENDERS

NEWS: MIDDLE EAST

Weapons deals hit prospects for Mideast stability

By Tony Walker in Cairo, Mark Nicholson in London and Hugh Carnegy in Jerusalem



HOPES for a more stable Middle East after Iraq's defeat in the Gulf war are buckling under the sheer weight of some $30bn (£16.7bn) in proposed new arms transfers – with the US among the main culprits in speeding deliveries to the region.

President George Bush's much-vaunted arms control initiative of May 1991 – in which he urged the world's five leading powers to limit arms sales to the Middle East – appears to be running into the sand.

According to the US Arms Control Association, Washington has proposed $6bn in weapons transfers since the initiative was announced, and $19bn worth of arms in total since the end of the Gulf war itself, with Saudi Arabia alone ordering $15bn worth of new equipment.

Iran and Syria are also in the vanguard of arms purchases. Both are taking advantage of bargain prices available for surplus equipment from the former Soviet Union and its east European satellites.

Military analysts say that in part the arms build-up follows an uninterrupted trend in the Middle East, where superpower and regional rivalries have historically made the region one of the world's main arms markets. But they believe it also reflects strategic uncertainties since the Gulf war.

"There's nothing like an inconclusive war to stimulate arms sales," says Mr Nicholas Protonotarios of the International Institute of Strategic Studies in London. "And this was an inconclusive war."

Since the war, every country in the region has been left with its own reasons to buy arms – either for defence or to secure its regional ambitions.

The Gulf states are arming defensively to ensure they are never again as vulnerable to invasion; Iran is re-arming from a low base after its destructive war with Iraq, but also with an eye on spreading its influence regionally; Syria is seeking by its missile acquisitions to bridge the vast gap in its capabilities vis-à-vis Israel, which has itself always placed a high priority in maintaining military superiority over its neighbours. Turkey, also with its eyes on a strategic role in the region, is meanwhile developing its own arms manufacturing industry.

While the Stockholm-based International Peace Research Institute (Sipri) noted recently that there had been a significant fall in the value of transfers to the Middle East, from $14bn in 1987 (the last full year of the Iran-Iraq war) to $5bn in 1991, these figures ignore the real tension caused by the continued sale of ballistic missiles to states such as Syria, together with fears that the collapse of the Soviet Union will enable the unauthorised transfer of nuclear and other weapons technology.

Moreover, much of the fall in the value of arms sales to the region is accounted for by the embargo against Iraq, which alone imported $27bn worth of weapons in the decade to 1990.

Nothing perhaps better illustrates barriers to Middle East arms control than the lethargic response to Mr Bush's initiative, in which he called for a register of arms sales to the region, barriers to exports that contribute to weapons of mass destruction, a freeze – followed by a ban – on surface-to-surface missiles in the region, and a ban on the production of nuclear weapons material.

Arms suppliers, notably the UN Security Council's five permanent members, were urged to avoid destabilising deals and asked to tighten export controls. But in the case of China, Mr Bush's pleas have apparently fallen on deaf ears. China's continuing reluctance to abide by the Missile Technology Control Regime (MTRC), a western initiative aimed at stopping the proliferation of missile technology, is a serious drag on efforts to halt the spread of ballistic missiles.

At the same time, diplomatic efforts to create the anti-Saddam coalition in the Gulf war also helped make available to many countries in the region considerably more money to spend on arms.

Arms supplies have also been boosted by the eagerness with which east European countries, particularly Czechoslovakia and Bulgaria, have sought to earn hard currency through weapon sales. Through such trade, arms experts believe, weapons such as sophisticated T-72 tanks may be changing hands for as little as $600,000 each – less than half the price they were two years ago. "There are signs that Russia and the east Europeans can't abide by this [arms control] regime because of their foreign exchange needs," says Professor Trevor Taylor of the Royal Institute for International Affairs in London.

This sudden availability of advanced weaponry is fuelling the traditional vicious circle that has long characterised the regional arms race. Arab states seek to counter Israel's "qualitative edge", but Israel in turn seeks to extend it by developing and acquiring bigger and better systems.

"The old Soviet bloc was always very cautious about releasing new arms technology but now it doesn't seem to bother them," says an Israeli intelligence official. "They are ready to sell top-line Mig 29 aircraft, the latest T-72 tanks and advanced surface-to-air missiles. This is new and it is a worrying trend."

Israel's response has been to embark on its own quest for more sophisticated firepower. Projects such as the development of the joint US-Israeli Arrow ballistic missile interceptor and a home-grown intelligence satellite and integrated radar defence systems have been given priority.

"Smart" bombs, missiles and artillery shells – of the type used so spectacularly in the war against Iraq – are being developed, refined and bought. "In the long run it will produce a much more sophisticated, more state-of-the-art army," says a military official.

Reports that Israel may have transferred unauthorised US missile technology to China, which in turn may have incorporated it in weapons sold to Arab states, plus the recent publicity given to a shipment of North Korean missiles to Iran and Syria, have drawn further attention to issues of technology "leakage" and proliferation of weapons systems to the volatile Middle East.

Iran has been the focus of much of this concern, notably since recent British press reports, which echoed claims by a US Republican congressional task force on terrorism and unconventional warfare, suggesting Tehran has acquired two tactical nuclear warheads from the former Soviet Central Asian states. Driven by its historic enmity withIraq and still smarting from defeat in the 1980-88 Gulf war, Iran has the motive and the means to acquire its own nuclear device.

Military analysts suggest it should not be surprising if Middle Eastern states seek nuclear weapons, given Israel's cache of up to 100 nuclear warheads and, indeed, revelations about the extent of Iraq's nuclear weapons programme.

In this respect there are particular worries in the west about China and North Korea as suppliers of nuclear and other advanced weapons technology to the area. A recent study of China's missile trade by the California-based Monterrey Institute of International Studies found that Chinese missile co-operation with developing states in terms of "whole systems and subsystems, production assistance and technology transfer" represented the world's most comprehensive programme of providing missile know-how to such countries.

It charged that China was assisting in the creation of new and powerful missile-producing states which are likely to operate outside any limitations (international or otherwise) on the sales of such systems.

The glaring example was North Korea, which had become a prime supplier of missiles and missile technology to the Middle East, including Syria, Libya, Iran, Egypt and possibly Iraq.

International pressure may have obliged China to defer shipments of the M-9 short-range missile to Syria, for which a contract was signed between Damascus and Beijing in 1987, but there is no sign the Chinese have abandoned plans to supply the missile. Indeed, reports this year that China had shipped to Syria chemicals suitable for production of solid-fuel missiles, allied with sightings of M-9 missile launchers in Syria, prompted speculation that the M-9 transfer is proceeding despite international pressure.

An abiding US fear is that the positioning of substantial numbers of M-9 missiles in Syria – the missiles have a range of about 500km – raises the prospect of an Israeli pre-emptive strike, and thus the danger of a new Middle East war.

Israeli officials say they are uncertain of the status of the M-9 deal. But they have repeatedly voiced public concern about up to 80 Scud-C missiles and 12 launchers they believe are being delivered to Syria by North Korea.

Such spectres point up the desirability of some form of arms control regime in the region. But not only is there no such regime; the circumstances are auspicious neither for the imposition of one from outside, nor for development from within the region.

President Hafez el-Assad of Syria has already made it clear that he opposes US attempts to limit Syria's ability to buy whatever weapons it likes, at least while Israel remains immune from western attempts to control arms in the region.

For many analysts, no arms control regime will succeed in the area until there is a solution to the Arab-Israeli conflict. Arms control will be discussed in Washington in the next three days in the multilateral round of the Middle East peace talks – but no substantive progress on arms control is likely until the main item on the agenda, peace between Arab and Israeli, has made substantial progress.

In the end, though, no amount of initiatives may succeed in dissuading the jostling powers of the region from buying exactly what they feel they need both for regional power and for their own defence.

As Mr Don Kerr, analyst with Control Risks, the private defence consultants, says: "Military procurement has its own inertia – it's something countries can never stop doing."

Arms control talks begin in US today

By Mark Nicholson, Middle East Correspondent

DELEGATES from Israel, its Arab neighbours and other interested countries convene today in Washington to discuss arms control in the Middle East for the first time since the Gulf war, in one of five sets of multilateral peace talks opening this week.

The first sessions of the talks, which shadow the main Arab-Israeli peace talks and are open to more countries, are not expected to move much beyond preliminary discussion on the format of further, possibly more substantive, talks.

In Washington, US officials said the disarmament talks would take a "seminar" format, with countries presenting papers rather than engaging in negotiation in the four-day meeting.

The same format will apply to the other four sets of talks: discussion on economic issues which open today in Brussels under the aegis of the EC; talks in Ottawa on refugees and in Vienna on water resources, which open on Wednesday; and discussions on the environment, which open on May 18 in Tokyo.

The PLO, though formally excluded from the US-brokered peace process, nevertheless yesterday gave its blessing to Palestinian participation in the talks through its central council in Tunis.

Israel, however, has decided to shun the meetings on refugees and economic issues, saying it objects to the presence of Palestinians from outside the occupied territories.

On arms control specifically, progress will be limited by Arab countries' resistance to any arms control regime affecting their ability to arm as they wish while Israel retains its nuclear deterrent.

Fresh scandals rock Indian stock market

By David Housego in New Delhi and R.C. Murthy in Bombay

THE Indian monetary authorities were anxiously attempting yesterday to prevent an uncontrolled slide in stock prices as fresh financial scandals undermined investor confidence.

In an escalating series of disclosures now touching some of the major financial institutions, it was revealed on Saturday that Mr M.J. Pherwani, the chairman of the National Housing Bank (NHB), had resigned after his bank failed to make payments due of Rs3.4bn (£65.9m) on purchases of government securities.

Last week NHB, a subsidiary of the Reserve Bank of India, the country's central bank, was unable to meet payments due to Canbank Mutual Fund and Deutsche Bank on inter-bank promissory notes known locally as bankers' receipts. These are notes which banks have issued to each other to register the transfer of government securities because of long delays in the Reserve Bank's own clearance system.

Mr Pherwani's resignation is seen as an ominous signal because he took a strongly bullish view of the market when chairman of the Unit Trust of India (UTI), the largest state-owned mutual fund.

NHB was to have paid Rs3.4bn to Canbank with funds owed to it by Mr Harshad Mehta, the Bombay broker whose activities are now under investigation by a government-appointed committee of inquiry. Mr Mehta was recently forced by State Bank of India, the largest state-owned bank, to settle payment on Rs6.2bn of bankers' receipts. This precipitated the slide in stock prices.

Until reaching a peak on April 22, the Bombay stock market had more than trebled in value over the last year. Since the slide began, the index has fallen 18 per cent.

The fears now are that Mr Pherwani's resignation will have a chain effect as other banks come under scrutiny.

Bankers believe that there could be as much as Rs30bn-Rs40bn of outstanding loans issued as bankers' receipts to finance stock purchases.

Guruh Sukarno Putra (centre), youngest son of Indonesia's first president, kicks off the election campaign with a speech yesterday in Surabaya, East Java. Guruh is a candidate for the Indonesian Democratic party in the June 9 poll

28 die in run-up to Manila elections

By Victor Mallet and Jose Galang in Manila

FILIPINOS go to the polls today to elect a president to replace Mrs Corazon Aquino after a campaign marked by growing violence and accusations of intimidation and intended fraud.

Police said communist rebels of the New People's Army killed 17 policemen yesterday in a dawn ambush in the northern province of Cagayan, and seven civilians were reported to have been killed by two explosions on Saturday at campaign rallies on the southern island of Mindanao. Violence elsewhere took the weekend death toll to 28.

The various political and family factions competing in the elections for the presidency, the vice-presidency, the congress and some 17,000 local government posts have accused one another of sending death threats and planning to stuff ballot boxes, and the climate of instability has prompted fears of a coup.

The violence and the recriminations, however, did little to dampen the enthusiasm of voters attending flamboyant weekend rallies enlivened by firework displays, popular music and the appearance of local film stars – a crucial ingredient for electoral success in the Philippines.

Among the seven presidential candidates are Mr Ramon Mitra, the speaker of the House of Representatives and standard-bearer of the majority party in congress, the Laban ng Democratikong Pilipino, and Mr Fidel Ramos, the former defence chief backed by Mrs Aquino. Mrs Imelda Marcos is also standing, but her chances are regarded as slim.

Thailand agrees to amend constitution

By Peter Ungphakorn in Bangkok

NINE government and opposition parties agreed over the weekend to amend Thailand's constitution in an attempt to end a month-long crisis, but the country's largest protests in two decades continued.

The protesters accepted the proposed changes but wanted the government to set a clear timetable, particularly for an amendment that would prevent the appointment of a non-elected prime minister.

Crowd numbers reached 100,000 in late night rallies on Friday and Saturday and about 50,000 last night.

General Suchinda Kraprayoon, the prime minister and target of the protests, said he had no objection to the amendments but did not specify when the changes would take place.

Protesters, objecting to the military domination of politics, continued to call for his resignation. He was the architect of last year's coup d'état and was appointed prime minister after the March 22 general election, even though he did not stand. Critics say the five-party coalition that backs him was created by military power brokers.

The weekend passed peacefully despite some potentially explosive situations, with the government appearing determined to avoid violence. The English-language newspaper Bangkok Post said this was because of a special request from King Bhumibol Adulyadej, who is highly revered.

Australia states join forces on fiscal reform

Hopes of agreement with PM Keating at talks today are slim, writes Kevin Brown

MR Paul Keating, Australia's Labor prime minister, will meet the eight state and territory leaders in Canberra today in an attempt to revive moribund talks on reform of federal/state relations.

However, the signals from state capitals suggest that agreement on fiscal and administrative reforms remains as elusive as when the talks broke down last year.

Mr Ray Groom, the Tasmanian Liberal premier, probably spoke for most of the state leaders when he accused Mr Keating yesterday of taking a "financially homicidal" approach to the talks. "He is really strangling the states to death," Mr Groom said.

The gloomy prognosis contrasts with the rapid progress achieved after Mr Bob Hawke, the former prime minister, announced his vision of a "new federalism" in the wake of Labor's election victory in March 1990. Among other achievements, Mr Hawke persuaded the states to reduce barriers to interstate trade, co-operate on transport reforms, and move towards mutual recognition of trade and professional qualifications.

But the reform process broke down last year after Mr Keating attacked a deal to correct the imbalance between the states' narrow tax-raising powers and their growing responsibility for delivering government services.

The solution proposed by Mr Hawke was to give the states a guaranteed share of federal personal and corporate income tax receipts to supplement the property and stamp taxes on which they rely for revenue. But that proved too much for Mr Keating and other Labor centralists, who saw it as a threat to the party's historical use of federal control of the national purse strings to determine social policy.

Mr Keating has made some conciliatory overtures to the states since replacing Mr Hawke in December. But although he has won praise for his willingness to reopen negotiations, the two sides appear to have sharply differing agendas for today's talks.

The federal government's priority will be to secure state co-operation for a series of economic and administrative initiatives announced by Mr Keating in February.

Most of Mr Keating's energy is likely to focus on plans for the creation of national rail and electricity networks, and transfer of the states' A$2bn (£800m) technical and further education programmes to the federal government.

The prime minister also wants guarantees that the states will implement costly recommendations by a royal commission by investigating the deaths of nearly 100 aborigines in police custody.

The state leaders will accept much of what Mr Keating has to say. But for perhaps the first time in the history of federal-state negotiations, they are presenting a united front on the need for urgent fiscal reform.

The state leaders agreed at a planning meeting in Melbourne last month to continue pressing for a greater share of federal tax revenues, and claimed the states' A$7bn debt could grow to A$12bn by 1997 if nothing was done.

Mr Keating will do his best to avoid starting an outright battle with the states in the run-up to the next federal election, due by mid-1993. But several federal ministers have indicated recently that the government is likely to tell the states to balance their books by cutting costs.

The federal government may also try to divide the states by proposing changes to the fiscal equalisation formula, which attempts to maintain a consistent level of government services by transferring revenue from the bigger states to the smaller states and territories.

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GNP/GDP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.

CURRENT PRICES	UNITED STATES Gross National Product	Private Cons. (as a % of GNP)	Private Invest. (as a % of GNP)	Govt. Spend. (as a % of GNP)	Net Exports (as a % of GNP)	JAPAN Gross National Product	Private Cons. (as a % of GNP)	Total Invest. (as a % of GNP)	Govt. Cons. (as a % of GNP)	Net Exports (as a % of GNP)
1985	5,317.6	65.8	17.6	19.1	−2.9	1,780.2	58.7	28.0	9.5	3.7
1986	4,349.2	66.6	16.8	19.5	−3.1	2,033.3	58.4	27.7	9.6	4.3
1987	3,937.7	67.2	16.5	19.4	−3.1	2,102.2	58.4	28.4	9.4	3.7
1988	4,147.8	67.2	16.2	18.7	−2.2	2,466.0	57.5	30.4	9.1	2.9
1989	4,763.7	67.0	16.0	18.5	−1.6	2,625.2	57.3	31.5	9.1	2.1
1990	4,334.6	67.7	14.5	18.9	−1.3	2,328.4	57.0	32.6	9.0	1.4
1991	4,588.6	68.4	12.8	19.1	−0.5	2,738.3	56.4	32.0	9.1	2.5
1st qtr.1991	4,175.3	68.2	12.6	19.4	−0.7	2,502.4	56.0	32.6	9.0	2.3
2nd qtr.1991	4,779.1	68.3	12.5	19.3	−0.3	2,777.5	56.3	32.2	9.1	2.4
3rd qtr.1991	4,875.6	68.5	13.0	19.0	−0.7	2,850.5	56.8	32.1	8.7	2.4
4th qtr.1991	4,583.0	68.6	13.0	18.8	−0.5	2,849.4	56.3	31.3	9.5	2.9

CURRENT PRICES	GERMANY Gross National Product	Private Cons. (as a % of GNP)	Total Invest. (as a % of GNP)	Govt. Cons. (as a % of GNP)	Net Exports (as a % of GNP)	FRANCE Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest. (as a % of GDP)	Govt. Cons. (as a % of GDP)	Net Exports (as a % of GDP)
1985	825.5	56.4	19.5	19.9	4.1	691.8	60.8	18.9	19.6	0.7
1986	911.2	55.0	19.5	19.7	5.8	746.1	60.2	19.6	19.2	1.0
1987	967.5	55.3	19.2	19.8	5.6	770.5	60.6	20.2	19.1	0.1
1988	1,015.6	54.7	20.0	19.6	5.7	813.5	60.0	21.2	18.8	0.1
1989	1,085.3	54.0	20.9	18.7	6.5	874.5	59.7	21.9	18.3	0.2
1990	1,182.8	53.5	21.4	18.2	6.8	937.5	59.9	21.8	18.3	0.0
1991	1,279.3	52.6	22.2	17.9	7.2	972.2	60.0	21.1	18.6	0.3
1st qtr.1991	1,250.1	52.9	21.7	17.6	7.7	947.7	60.1	21.6	18.5	−0.3
2nd qtr.1991	1,274.5	52.6	22.8	18.2	6.4	966.7	59.9	21.1	18.3	0.5
3rd qtr.1991	1,293.8	52.3	22.3	17.9	7.5	982.6	59.9	21.3	18.2	0.3
4th qtr.1991	1,299.2	52.6	22.1	18.0	7.3	992.1	60.1	20.4	18.7	0.8

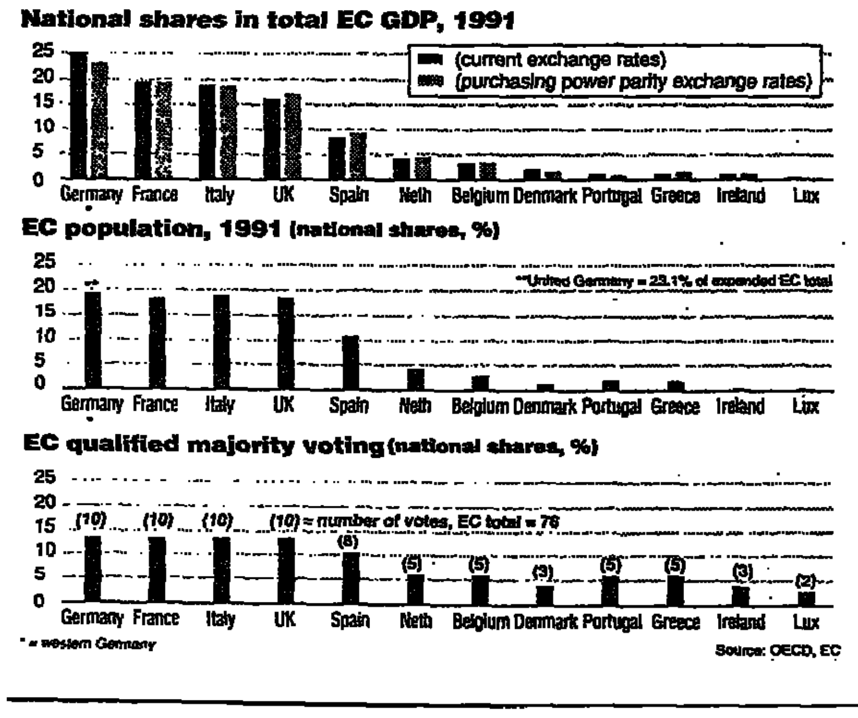
CURRENT PRICES	ITALY Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest. (as a % of GDP)	Govt. Cons. (as a % of GDP)	Net Exports (as a % of GDP)	UNITED KINGDOM Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest. (as a % of GDP)	Govt. Cons. (as a % of GDP)	Net Exports (as a % of GDP)
1985	561.8	62.8	22.6	16.7	−1.9	604.3	61.1	17.2	20.7	0.9
1986	615.7	62.2	20.6	16.5	0.4	571.1	63.0	17.0	20.7	−0.7
1987	658.3	62.2	20.6	16.9	−0.3	597.2	62.9	17.9	20.3	−1.1
1988	710.5	61.4	21.2	17.1	−0.5	703.3	64.0	20.1	19.6	−3.6
1989	790.3	61.8	21.5	17.0	−0.7	760.3	64.0	20.5	19.4	−3.9
1990	858.0	62.1	20.8	17.6	−0.5	768.6	63.4	19.1	20.0	−2.5
1991						821.7	64.0	15.7	21.1	−0.8
1st qtr.1991	889.2	62.4	19.8	17.6	0.2	795.4	63.9	16.7	20.7	−1.3
2nd qtr.1991	918.2	62.7	20.8	17.4	−0.8	826.5	63.6	15.5	21.3	−0.4
3rd qtr.1991	929.0	63.2	20.6	17.4	−1.1	835.3	64.0	15.3	21.4	−0.6
4th qtr.1991						829.7	64.4	15.4	21.1	−0.9

CONSTANT PRICES (% growth in)	US GNP	Cons.	Invest.	Govt.	Exports	JAPAN GNP	Cons.	Invest.	Govt.	Exports
1985	2.9	4.4	−1.5	6.1	1.2	5.1	3.3	6.5	1.7	6.5
1986	2.8	3.6	−1.5	5.2	6.6	2.7	3.4	4.3	4.5	−5.3
1987	3.0	2.8	1.9	3.0	10.5	4.3	4.2	8.2	0.4	4.6
1988	4.0	3.6	3.2	0.6	15.8	6.3	5.2	14.2	2.2	10.7
1989	2.4	1.9	2.0	1.5	11.3	4.8	4.3	9.6	2.0	15.1
1990	1.1	1.2	−5.7	3.2	7.7	5.3	4.3	8.8	1.9	10.8
1991	-0.7	−0.1	−9.5	0.9	6.4	4.4	2.6	3.5	3.3	5.0
1st qtr.1991	−1.0	−0.5	−13.0	2.3	3.3	5.9	2.7	8.3	3.6	5.0
2nd qtr.1991	−1.1	−0.2	−14.3	1.7	6.7	4.5	2.1	3.5	4.0	1.9
3rd qtr.1991	−0.8	−0.3	−9.7	0.9	8.7	4.3	2.8	2.6	3.6	7.2
4th qtr.1991	0.0	0.6	−0.2	−1.6	6.8	3.2	3.0	0.0	2.2	6.0

CONSTANT PRICES (% growth in)	GERMANY GNP	Cons.	Invest.	Govt.	Exports	FRANCE GDP	Cons.	Invest.	Govt.	Exports
1985	2.1	1.5	−0.9	2.1	7.6	1.9	2.4	2.8	2.3	1.9
1986	2.2	3.4	3.9	2.5	−0.1	2.5	3.9	8.8	1.7	−1.4
1987	1.4	3.3	1.2	1.5	0.5	2.3	2.9	5.1	2.8	3.1
1988	3.5	2.4	7.8	2.2	5.6	4.2	3.4	8.7	2.9	8.1
1989	3.9	2.1	8.5	−1.7	11.8	3.9	3.2	7.3	0.2	10.3
1990	4.7	4.6	7.3	2.1	11.5	2.8	3.1	3.4	3.1	5.1
1991	3.2	2.5	6.3	0.8	12.1	1.2	1.3	−1.6	2.6	4.3
1st qtr.1991	5.4	4.3	8.0	−0.1	17.3	0.3	1.1	1.9	2.0	−0.3
2nd qtr.1991	4.5	4.1	7.0	−0.4	16.3	1.0	0.8	−2.6	2.8	5.7
3rd qtr.1991	2.0	0.5	9.0	0.2	11.0	1.4	1.4	−2.2	2.9	6.7
4th qtr.1991	0.9	1.0	1.5	3.4	5.0	1.9	1.6	−3.1	2.7	5.3

CONSTANT PRICES (% growth in)	ITALY GDP	Cons.	Invest.	Govt.	Exports	UNITED KINGDOM GDP	Cons.	Invest.	Govt.	Exports
1985	2.6	3.1	1.5	3.5	3.9	3.7	3.5	3.5	0.0	5.9
1986	2.5	3.8	0.1	2.9	3.8	4.0	6.2	2.2	1.8	4.7
1987	3.0	4.2	6.6	3.7	3.3	4.6	5.2	10.2	1.2	5.6
1988	4.2	4.1	7.6	2.8	4.8	4.2	7.4	17.1	0.6	0.0
1989	3.0	3.9	3.0	0.5	8.7	2.3	3.5	4.8	0.9	4.2
1990	2.2	2.8	2.0	1.3	7.8	1.0	0.8	−5.9	3.1	5.0
1991	1.4	2.8	1.4	1.7	−0.8	−2.1	−1.7	−13.5	2.4	0.7
1st qtr.1991	1.4	3.0	−7.3	2.0	5.4	−1.9	−0.7	−15.1	2.6	−2.5
2nd qtr.1991	1.6	2.9	4.4	1.9	−3.4	−3.3	−2.7	−18.7	3.3	−0.1
3rd qtr.1991	1.1	2.7	4.5	1.7	−3.8	−1.9	−2.0	−12.6	1.7	3.2
4th qtr.1991	1.5	2.7	4.6	1.4	−1.0	−1.1	−1.3	−6.7	1.9	2.3

Seasonally adjusted data used in all cases. Statistics for Germany apply only to western Germany. GNP/GDP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series rather than under investment. Quarterly GNP/GDP totals are annualised. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports, rather than to net exports. Data supplied by Datastream and WEFA from national government sources.



Wealth and power in Europe's qualified democracy

THE RATIFICATION of the Maastricht treaties on European monetary and political union are only now getting under way, but already the attentions of the Commission have shifted to the next round of treaty revisions. For while tensions within the European exchange rate mechanism make Emu look an increasingly long-term goal, the attraction of the EC for potential new members is undiminished; and further political reform may be a corollary of widening the EC's membership.

The British government, for one, remains sceptical about the benefits of further treaty revisions, and protective of the current rights of its national parliament. Mr Douglas Hurd, the British foreign secretary, has already reacted negatively to the proposals of the Commission's president, Mr Jacques Delors. His plan, to be discussed by the Commission this week, would set up a supra-national executive to replace the existing Commission and the six-monthly rotating presidency.

Yet the current EC treaties already cede a substantial degree of national sovereignty to the European centre. The introduction of qualified majority voting for certain decisions of the Council of Ministers effectively speeded the evolution of the community from being an agreement between autonomous member states towards a more integrated – perhaps federal – political community.

The Single European Act first introduced majority voting for most of the 300 plus directives which together make the 1992 single market programme. If the Maastricht treaties are ratified, qualified majority voting will be extended to the implementation, but not the formulation, of common EC foreign policy; while decisions on EC immigration policy will be taken by qualified majority vote after 1996. The Commission has also partly circumvented the UK's veto on social legislation by introducing its working time directive as health and safety legislation, which can be passed by a qualified majority vote.

The current system of qualified majority voting, laid down in Article 148 of the revised Treaty of Rome, gives disproportionate influence to the smaller countries. The distribution of the 76 votes among 12 EC member states is shown in the lower portion of the chart. It takes 54 votes – 71 per cent of the total – to pass a resolution by a "qualified majority"; and the four largest countries – Germany, France, Italy and the UK – possess 10 votes each. So a blocking coalition with at least 23 votes must include either two large countries plus one small country, or one large country and three smaller countries.

The system does ensure that a simple majority of seven smaller countries cannot pass legislation. But the four largest countries possess only 52.8 per cent of total votes compared to 71.5 per cent of total EC population and 78.7 per cent of total EC gross domestic product. The three smallest countries in economic terms – Greece, Ireland and Luxembourg – make-up 1.8 per cent of EC GDP and 4.3 per cent of EC population but 13.1 per cent of the votes.

The political power of the smaller countries is also increased by the six-monthly rotation of the EC presidency which gives them the power to set and control the community's political agenda. Half the time the presidency is held by countries which together account for less than 10 per cent of the EC's population.

The UK government is currently stressing the priority of widening the EC's membership rather than strengthening the ties between existing members. But the other large countries are unlikely to agree to admit Austria, Sweden, Finland and perhaps the eastern European countries too, unless political power is redistributed and the rotating presidency is replaced. Mr Delors' plans for a stronger Commission may not be the UK's preferred solution; an inner cabinet within the Council, consisting of the large states who control the presidency, with rotating representatives from the smaller countries, would be one alternative. But the UK may have to use its forthcoming presidential term to explore alternative solutions, rather then deny there is a problem.

Edward Balls

Employers find small businesses optimistic

By Charles Batchelor

THE most optimistic assessment of prospects for smaller companies in two years emerges from the latest survey of industrial trends published by the Confederation of British Industry (CBI) today.

The quarterly industrial trends survey for smaller manufacturing firms showed that though large companies are expected to continue to shed many jobs over the next four months, smaller businesses employing fewer than 200 will make only a small reduction in employee numbers. Small firms as well as large have cut jobs recently. But over the next four months the number of small firms cutting employment is likely to be almost balanced by those taking on more people, the CBI said.

"Business confidence is clearly improving and orders and output are expected to increase over the next four months," said Mr Richard Bruccianí, chairman of the CBI smaller firms council. "The improvement in optimism seen in this survey is the biggest since July 1989 and smaller firms are slightly more confident than larger companies."

The survey found that:

- Twenty-eight per cent said they were more optimistic about the general business situation, while 18 per cent were less optimistic. The resulting 10 per cent positive balance of responses last month compares with a negative balance of 25 per cent in January.
- On balance, 10 per cent more businesses expected orders to increase over the next four months. Over the previous four months, on balance, 18 per cent had recorded a decline.
- A positive balance of 10 per cent expected an increase in output over the next four months, compared with 13 per cent which had recorded a decline in the previous four.
- Ninety-two per cent said output was constrained by a shortage of orders. Factors such as shortage of skilled labour and shortage of finance were much less important.

Opposition parties consider united front

By Ralph Atkins

LABOUR's schisms over post-election tactics and trade union links deepened yesterday as reaction to a Liberal Democrat offer to help forge an anti-Conservative force varied markedly across the Labour movement.

An attempt by Mr Paddy Ashdown, Liberal Democrat leader, to trigger a realignment of UK opposition parties provoked a surprisingly positive reaction from supporters of the two main leadership candidates, Mr Bryan Gould and Mr John Smith.

Reception was far frostier from leftwingers, including Mrs Margaret Beckett, challenger for deputy leader. Mr Roy Hattersley, outgoing deputy leader, said: "No party is going to succeed with a blurred message... the Labour party's ideological cutting edge has to be sharper, not blunter."

Mr Gould said Mr Ashdown's speech was "interesting," adding: "If Labour and the Liberal Democrats can find that they agree on a range of issues, this could help to reduce the Conservative vote."

Mr Tony Blair, Labour's employment spokesman and supporter of Mr John Smith for leader, went out of his way on BBC television to say he did not want to be "churlish" and that he "believed in a dialogue of ideas". But he wanted Mr Ashdown to make clear the Liberal Democrats are a left-of-centre party, rather than, "simply part of the wishy-washy centre who will do a deal with anyone."

Meanwhile, a move by Mr Gould to end the trade union leaders' role in the leadership contest clashed with a warning on television from Mr Bill Morris, leader of the TGWU general union, that funding of Labour by the unions could be jeopardised if institutional links were broken. Affiliates would not, "pay for the privilege of silence," he said.

- A pamphlet by the leftwing Fabian group highlights varying explanations within the Labour movement for its general election defeat.

Mr Peter Mandelson, Labour MP for Hartlepool and former campaigns director, said the party looked, "weak and muddled" by fuelling media interest in electoral reform. He said Labour should look to tackling vested interests.

Fowler prepares to hold the Tory fort

By Ralph Atkins

SIR Norman Fowler, who takes over as Conservative party chairman today, is a bespectacled Tory knight of Middle England with a reputation for attacking opponents with verve while shielding his back.

He fought gallantly under Mrs Margaret Thatcher, with whom he did not always see eye to eye. Under Mr John Major he helped quell Tory backbencher's threats to the Maastricht Treaty by standing, successfully, for chairman of the backbench Europe committee. Now he will hold the Central Office fort.

The Sutton Coldfield MP's responsibilities will include restoring depleted party finances, overhauling staffing, preparing for the 1994 European elections and preserving Tory post-election euphoria.

In January 1990, Sir Norman resigned as Mrs Thatcher's employment secretary saying he wanted to spend more time with his family. It is a measure of his integrity that nobody doubted him. At 54 he wants to return to the political fray.

Central Office is an unwieldy and costly machine that Sir Norman sees as ripe for change. The general election campaign was lacklustre, even if the result was a Tory win. Sir Norman, as the prime minister's minder on the campaign bus, saw at first hand the lack of cohesion. Party finances are in the red: Mr Patten inherited a deficit of more than £5m.

As party chairman he will be anxious to ensure the momentum does not disappear from the government's policy agenda. His past record suggests he will have little difficulty publicising Mr Major's vision of dry economics, consumer choice and opportunity. His job will be to ensure the prime minister remains in Downing Street for as long as possible.

John Major in the garden of his Huntingdon home yesterday with Sir Norman Fowler

Employment training to be reviewed

A REVIEW of Employment Training (ET), the government's controversial £800m scheme for long-term unemployed, is to be launched by the Department of Employment.

This follows concern within the department and among Training and Enterprise Councils (TECs), which administer ET, over the effectiveness of the programme in achieving qualifications and jobs for participants. Three months after leaving the scheme most trainees are unemployed.

Set up in 1988, ET was criticised by Mr David Mellor, the former Treasury chief secretary, in last year's round of public expenditure negotiations. The real value of ET's budget fell slightly and it is likely to come under renewed pressure this year.

Mrs Gillian Shephard, Employment Secretary, said recently that she wanted to be in a position to "demonstrate the effectiveness and real value for money of what we do in order to defend our performance and our budgets".

The quality of ET has been consistently criticised by TECs, many of which want to experiment with different approaches.

Cabin crew row looms

THE newly-formed Amalgamated Engineering and Electrical Union looks set to be the focus of a Trades Union Congress row over the recruitment of a non-TUC breakaway group of airline cabin staff.

The row could jeopardise the readmittance to the TUC of the electricians' section of the new union, formed by the amalgamation of the EETPU electricians' and the AEU engineering unions. The EETPU was expelled by the TUC in 1988 for refusing to implement rulings on inter-union disputes.

The electricians' section said it has agreed to provide services "on an agency basis in the first stage" to Cabin Crew '89. The 5,000-strong cabin crew group broke away from the TGWU general union in 1989 after complaints that the union was failing to provide adequate representation for flight attendants.

Britain in brief

Secrecy law shake-up planned

A review of secrecy laws, which might eventually open to public scrutiny inspectors' reports on health and safety, drug and other companies, will be set today as the next extension of the government's Citizen's Charter programme.

Mr William Waldegrave, the cabinet minister responsible for seeing the charter into action, will tell MPs that he sees a greater openness by officials as an essential part of moves towards reducing central government's role.

Patten unlikely to become PM

Mr Chris Patten, who is to be the next governor of Hong Kong, said he is unlikely to become prime minister.

"Given that John Major and I are more or less the same age – and given that he has proved such an outstandingly successful political leader – he will go on for a very long time, and anyone of my generation is very unlikely to be prime minister," he said on television. He hoped he would not be "entirely over the hill" in 1997 when Hong Kong was handed over to China and he is 52.

Recruitment target call

Numerical targets for the recruitment of black people should be set for all parts of the criminal justice system, according to the National Association for the Care and Resettlement of Offenders.

About 2 per cent of magistrates are black and only two out of 451 circuit judges and six out of 772 recorders are black. However, 16 per cent of the male and 28 per cent of the female prison population are from ethnic minorities, says the report.

Investment ethics survey

Two-thirds of top UK companies have links with countries which are abusers of human rights, according to a report the Ethical Investment Research Service (EIRIS), which says 36 of the 50 largest UK companies are involved.

The survey covered all 590 companies in the FTA All-Share Index at 31 December 1991. Of these, it found 200 had subsidiary or associated companies in one or more of the countries identified while 31 companies had significant subsidiaries in countries with high levels of human rights abuses.

Pregnancy compensation

The Ministry of Defence is assessing compensation for thousands of women forced to leave the armed services because they became pregnant.

The ministry has confirmed that women who left the forces in the 12 years up to 1990 would receive "fair levels" of payment. It was unable to confirm reports that the total bill could be as high as £80m.

Until August 1990, when the services were brought into line with civilian practices, all women who became pregnant were obliged to resign.

Policies on unions attacked

Government policies on trade unions and unemployment have come under attack from the International Labour Organisation, the United Nations body responsible for labour affairs.

Failure to resolve the dispute with trade unions over representation at the Government Communications Headquarters (GCHQ), the intelligence centre where unions were banned by the government in 1984, has brought strong criticism from the ILO. Its annual report stresses that, under a convention to which the UK is a signatory, "workers have the right to establish organisations of their own choosing".

The ILO is also critical of the "volume and complexity of legislative change since 1980" on industrial relations.

CONSTRUCTION CONTRACTS

Expansion at Royal Lancaster Infirmary

A major development at the Royal Lancaster Infirmary features in a batch of awards worth £17.7m won by LAING NORTH WEST.

North Western Regional Health Authority has placed a £13.3m contract for phase 3 of the Infirmary development programme. A two/three storey building will be constructed alongside the maternity unit later this month and scheduled for completion in August 1995.

It will provide a total of 205 beds, an intensive care unit, accident and emergency department, three operating theatres, a treatment unit, six X-ray rooms and a nuclear medicine department.

Construction of a new access from Ashton Road, car parks and landscaping are included in the contract.

Laing North West has also won a £3.7m contract to refurbish Bank House in central Manchester for Barlows. Work includes replacement of mechanical and electrical services and redecoration throughout the 12-storey office building.

Mechanical and electrical services are to be replaced and new suspended ceilings, floor coverings, secondary double glazing and doors installed. Other contracts include the refurbishment and adaptation of Manchester Grammer School's art department.

Upgrading buildings in London

The TRAFALGAR HOUSE construction companies have recently won contracts together worth £12.2m.

The largest, worth £6.8m, has been awarded to Trollope & Colls (City) by Northern Telecom Europe. Work involves refurbishing and partly demolishing the old Standard Telephone Company's 48 acre New Southgate complex, in London N11.

This phased programme will give 16,000 sq metres of prime air-conditioned office space in phase one and phase two will provide another 1,300 sq metres within the 1930s buildings.

Work has already begun on the early stages of the 49-week contract with completion programmed for January 1993.

At 67-73 Worship Street, EC2, Trollope & Colls (City) is to build a four-storey extension, for occupation by The Quick Corporation, under a £2.4m contract from Taisei Europe.

Other contracts include a refurbishment project at Touche Ross' Hill House headquarters and a fit-out and refurbishment for insurance brokers Murray Lawrence Holdings.

Housing students

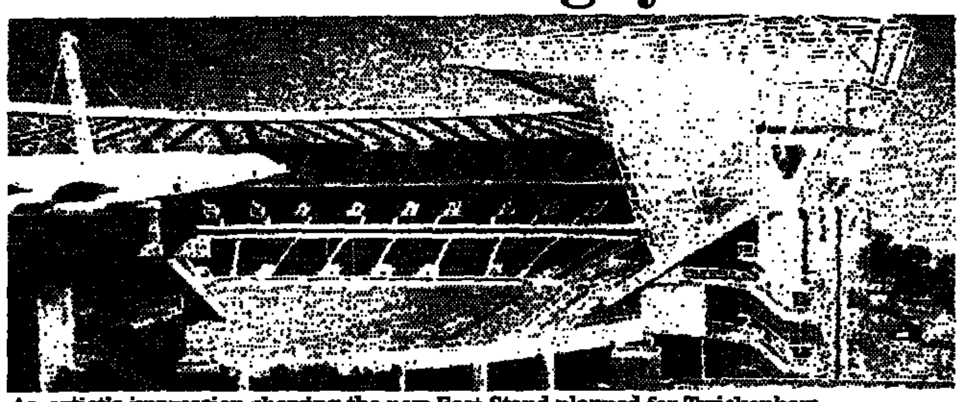
Three universities have awarded contracts to TEAM SERVICES for student accommodation.

The first (£4.1m), for Loughborough University, requires Team to complete ensuite study bedrooms for 402 students.

At the University of Stirling (£3.2m) Team is to provide similar facilities for 249 students in three cruciform buildings on part of the campus between Airthrey Castle and the Memorial Gardens.

In Cardiff the company has won a £1.5m contract from the University of Wales to build 112 rooms on a city centre site.

New stand for rugby stadium



An artist's impression showing the new East Stand planned for Twickenham

The construction of the new 25,000 seater East Stand at Twickenham has been awarded by the Rugby Football Union to MOWLEM SOUTH EAST, a division of John Mowlem Construction.

Structurally, the new East Stand will be identical to the North Stand, successfully completed by Mowlem at the end of 1990. It will provide uninterrupted views of the playing area by means of a 39 metre cantilevered tubular steel roof, supported by large concrete columns at the rear of the stand. This design also achieves continuity of seating and weather protection.

Work will begin on site shortly and the lower tier seating 10,000 spectators will be available for the England versus South Africa match on November 14 this year. The remainder of the stand will be completed by the end of October 1993.

The new stand will increase Twickenham's capacity from around 60,000 at present to nearly 69,000 - the second step towards the Rugby Football Union's goal of a 75,000 capacity all-seated stadium.

Seaside superstore scheme in Paignton

A £7.5m seaside superstore for the Co-op and a £2.5m extension to a Scottish retail park are among £14m worth of new contracts won by TARMAC CONSTRUCTION.

The contract to build the Plymco superstore at Paignton for Plymouth & South Devon Co-operative includes a petrol filling station, car park and a creche as well as a number of instore specialist shops.

Work is expected to be completed in the spring of 1993.

Additional retail and industrial development at the Strath Kelvin Retail Park at Bishopbriggs for Caledonian Property Investment raises the contract value from £5.2m to £7.7m.

A £400,000 contract to maintain the pavements and kerbs in the City of London over the next two years has been awarded by the Corporation of London, and a new McDonald's restaurant is to be built at Paisley, Strathclyde at a cost of £400,000.

Tarmac Structural Repairs is to carry out £425,000 worth of improvements and refurbishment at Loughborough University in Leicestershire. The contract housing division has won a £1m contract to upgrade council houses at Saughton Mains, Edinburgh.

Clinical research facility development

A contract worth £9.4m has been placed by Pfizer of Sandwich, Kent, with BALLAST NEDAM CONSTRUCTION, based in Bromley, for the construction of a four-storey clinical research facility and an amenity/link building.

Scheduled for completion next May, the project will provide 7,850 sq metres of space for clinical research use and for plant and computer installations.

The amenity/link building will provide three levels of accommodation, including a mezzanine floor, and will connect Clinical Sciences II, as the new complex is called, to Clinical Sciences I.

The specification calls for a steel frame, reinforced in situ power-floated concrete slab floors (on metal decking to upper levels) and a metal deck and steelwork roof tiled in fibre slate.

Other new awards for the company's south east regional office include a 1,626 sq metre warehouse at Sittingbourne for Wereldhave Properties, worth about £600,000, and a small school refurbishment for the London Borough of Bromley.

Chemical recovery project

Wimpey's specialist offshore engineers have begun an operation to avert toxic danger to marine life in the Atlantic Ocean.

Underwater grouting supplied by the transatlantic arm of WIMPEY GEOTECH is forming the nucleus of a US\$6m (£3.3m) salvage operation to recover toxic chemicals off Cape May in New Jersey.

Four containers holding a total of 441 drums of arsenic trioxide and sodium cyanide slipped from the decks of cargo vessel Santa Clara 1 during a storm in January 1992.

The containers settled 30 miles offshore, spilling the drums in a prime fishing zone which is also the habitat of the endangered Right whale and the Kemp Ridley sea turtle.

Working at depths of 40 metres, remote control vehicles fitted with robotic arms will place the chemical drums into oversized caskets. The space around the drums will then be filled with a high density cement grout mixed by Wimpey Geotech on board the recovery vessel and pumped into place using specialist equipment and services. The grout will be allowed to harden before the caskets are brought to the surface for salvage and safe disposal. Work started in March and is expected to continue for three months.

Runway repairs

Wimpey is undertaking its first project in Czechoslovakia following the award of a contract to resurface one of the country's main airfields.

The £5.3m contract, secured by Wimpey Asphalt from the state civil engineering contractor Inzinierske Stevey, forms part of an extensive refurbishment programme at Kosice Airport.

LEGAL NOTICES

Advertisement of creditors' meeting under Section 48(2) of the Insolvency Act 1986
Company No 2367972 Registered in England and Wales
RENCORE (BUILDING SERVICES) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: Melrose House, 42 Dingwall Road, Croydon, CR0 2NE on 20 May 1992 at 10.00am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver(s) under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:
(a) they have delivered to me at the address shown above, no later than noon on 19 May 1992, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the Creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Signed: N J Vooght, Joint Administrative Receiver

Advertisment of creditors' meeting under Section 48(2) of the Insolvency Act 1986
Company No 2349868 Registered in England and Wales
RENCORE (MECHANICAL) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at: Melrose House, 42 Dingwall Road, Croydon, CR0 2NE on 20 May 1992 at 10.00am for the purpose of having laid befor it a copy of the report prepared by the Administrative Receiver(s) under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:
(a) they have delivered to me at the address shown above, no later than noon on 19 May 1992, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the Creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Signed: N J Vooght, Joint Administrative Reciever

FLIGHTS

CONFERENCES & EXHIBITIONS

MAY 18
After Maastricht - Prospects for EC Social Policy 1992
Secretary of State for Employment, Mrs Gillian Shephard MP, will join leading European industrialists to discuss employment policies and strategies following the Maastricht Treaty. Enquiries: CBI CONFERENCES Fiona Walker 071 379 7400
LONDON

MAY 19
Property Performance Measurement & Market Trends
For Fund Managers and Property Investors. The Conference will describe recent trends in the commercial property market and the performance measurement services of Investment Property Databank. Location: Institute of Directors, Pall Mall, London. Contact: Maureen Singer at I.P.D. on 071-482 5149
LONDON

MAY 22
The Changing Face of Tanzania : Business Prospects
The conference will be addressed by The Prime Minister HE John Malecela together with four of his ministers, Governor of the Bank of Tanzania, Director-General of the Investment Promotion Centre and eminent UK speakers. Enquiries: Fiona Walker, CBI, Centre point 071 379 7400
LONDON

MAY 20
Strategy and Planning
Following a successful first series, a second seminar in three afternoon sessions to be held at LSE with business and information Systems Strategists and academics. Also on 10 and 24 June. Contact Short Courses Office, LSE. Tel. 071-955 7227
LONDON

MAY 20-21
THE BRITISH PRESIDENCY OF THE EC
An international conference on the major issues which will confront Britain during its six months in office. Including Tristan Garel-Jones MP, George Robertson MP, Garret FitzGerald, Peter Schluter (Deutsche Bundesbank) Federal Trust
Tel 071-259 9990, Fax 071-259 9509
LONDON

MAY 21
Realising the Value of a Private Company
This IOD seminar will give directors/shareholders an understanding of preparation needed, timing and available options to derive most benefit from a sale. Options include stockmarket flotation, management buy-out, selling equity or outright sale. Enquiries: Director Conferences 071 730 0022
LONDON

MAY 22
Automotive Management Congress '92 - Balance of Power
Ford Chairman Ian McAllister headlines one-day conference on future of motor industry. Other speakers: Hans Halbach, Saab AB; Gerald Davison, Chairman, Keep Trust; Roger Stangroom, ex-Rover marketing director. Venue: National Motorcycle Museum. £195 + VAT. Contact Janet Haas, Tel: 081-687 2340 or Fax: 081-646 7926
LONDON

MAY 22
The Changing Face of Tanzania : Business Prospects
The conference will be addressed by The Prime Minister HE John Malecela together with four of his ministers, Governor of the Bank of Tanzania, Director-General of the Investment Promotion Centre and eminent UK speakers. Enquiries: Fiona Walker, CBI, Centre point 071 379 7400
LONDON

MAY 27
ISDA Swaps and Derivatives Conference
Prominent experts from major UK banks will explore swap and derivative products and applications. Examine the latest swap developments in tax, documentation, and counterparty relationships and other issues. One-day seminar. US\$325.00. Contact Melisa Levin on 212-332-1200.
EDINBURGH

MAY 28-29
ENTREPRENEURIAL LEADERSHIP
A practical two day workshop focusing on the principles and practices used by leading-edge, forward looking, innovative companies, and how we can apply them in our unique business situation to improve performance and generate new revenue streams. Tel: 081 366-0832
Fax: 081 366-0832
LONDON

MAY 29
Improving IT Effectiveness
This one day conference examines the key issues in raising the performance of the IT function, exploring the strengths and weaknesses of conventional productivity and efficiency approaches, and presenting alternatives.
Contact: Business Intelligence
Tel: 081-544 1830
Fax: 081-544 9020
LONDON

JUNE 1-2
5th International Delivery Systems Conference
"ATMs + EFTPOS = Networking the World" Learn from international speakers about eftpos initiatives worldwide - Major trends ... Winners in the battle between banks and retailers for eftpos territory... the future of eftpos. Contact: Yvonne French, Lafferty Conferences,
Tel. +353 1 718022, Fax: +353 1 713594
LONDON

JUNE 2
Work at VDUs
A vital, one-day seminar for senior management on the implications of recent litigation (RSI) and forthcoming legislation (VDU Directive). Presented by Colin Mackay - HSE, Brian Pearce - Consultant Ergonomist, Tom Stewart - Chairman ISO TC159 SC4. Bell Howe Conferences Tel: 0602 436323 Fax: 0602 436440
BRISTOL

JUNE 3
MMC Report on Cars
Speakers include Dr K Stover (EC Commission) and Prof Garel Rhys (Cardiff University) Venue National Motorcycle Museum, Solihull £200 + VAT Contact Motor Law Conferences on 0494 449165 Fax: 0494 465052
SOLIHULL

JUNE 3-4
Avoiding the personal and business disaster of corporate fraud
Mike Comer presents practical techniques for fraud detection, investigation and prevention, and recovery strategies. The payback for attendance can be immediate: as previous delegates have discovered!
Contact: Amanda Stuart, IBC Technical Services Ltd Tel: 071 637 4383
LONDON

JUNE 3-4
Introduction to Bonds, Bond Futures & Bond Options Course Parts 1 & 2
Day 1: Bond Markets, Redemption Yield, Yield Curves, Bond Futures; Day 2: Option Terminology, Option Pricing, CTD, Speculation,Hedging & Arbitrage. Venue: Cambridge Science Park, CAMBRIDGE. £345 (1 day only). £595 (both days). Contact: Gillian Beckett, Brady Financial Seminars. Tel: 0223 423250
CAMBRIDGE

JUNE 4 & 5
HOW TO BUY AND SELL UNQUOTED COMPANIES
Are you tired of employing others to help you buy and sell? This unique "DIY" course addresses the practical realities of buying and selling a company and how to minimise the risks involved. Contact: Acquisitions Monthly Tel: 071 823 8740 Fax: 071 581 4331
LONDON

JUNE 6 & 7
STRESS CONTROL
For business people and their dedicated companions. A fun and practical look at how we can control the stresses in our lives, while having a relaxing and enjoyable week-end at the same time. Contact: Take control seminars. Tel: 081 366 0832
LONDON

JUNE 10
Corporate Governance
Learn from international speakers about eftpos initiatives worldwide - Major trends ... Winners in the battle between banks and retailers for eftpos territory... the future of eftpos. Contact: Yvonne French, Lafferty Conferences, CBI CONFERENCES
Tel: +353 1 718022, Fax: +353 1 713594
LONDON

JUNE 10-26
Growth Opportunities in the European Pollution Control Market
A one-day seminar providing market data and forecasts for pollution control/waste management equipment and services in Europe. Venues: Vienna, Dusseldorf, Milan, Copenhagen, Amsterdam, Birmingham. Price £395.Contact: Caroline Perison, Frost & Sullivan. Tel: 071-730 3438
Fax: 071-730 3343
LONDON

JUNE 12-13
Litigation Support systems & Services
One day conference, showing law firms and corporate legal departments issues behind adoption and use of litigation support systems; one day workshop, considering alternatives, factors and methodologies involved in choosing and effectively using such systems. Contact Unicom Tel: 0895 256 484; Fax: 0895 813 095
LONDON

JUNE 15
Strategies for Sustaining Business Recovery
It's up to you to make recovery happen in your business. Experts from London Business School, Lloyds Bank, Hertz, Ernest Saunders, Bartle Bogle Hegarty, American Airlines, Morgan Grenfell. Limited places. Sponsored by MANAGEMENT TODAY Century Communications 071-244 8884
Fax: 071 244 8884
LONDON

JUNE 15-16
How to Develop a Winning Business Plan
This seminar outlines the most common reasons why business plans fail and then considers how to get them right. Speaker: Robert M Donnelly. Contact: Louise Knight, Frost & Sullivan. Tel: 071-730 3438.
Fax: 071 730 3343
LONDON

JUNE 16-17
Integrated Manufacture & Design: The IT Framework
Overview of recent advances in the technologies of integrating manufacture and design. JIT, Total Quality, Concurrent Engineering, and Theory of Constraints are amongst the techniques discussed in developing manufacturing technologies for excellence. Contact Unicom:
Tel: 0895 256 484; Fax: 0895 813 095
LONDON

JUNE 16-18
Health Care 92
Britain's only comprehensive showcase of equipment and supplies for hospitals and community care, displaying medical and non-medical products from over 150 exhibitors. A full programme of Lectures and seminars is free to all NHS staff. Admission is also free of charge.
Ring 0895 679111 for Free Tickets, or 0865 677677 for information
BIRMINGHAM

JUNE 24
RECOVERY AND OPPORTUNITY
Life After the Recession. THE HENLEY CENTRE Special One -Day Conference. How will the recovery develop? And what will the implications be for consumer behaviour? Contact Anna Disley Tel: 071 353 9961 Fax: 071 353 2899.
LONDON

JUNE 17&18
Upper Limb Disorders among Keyboard Users
What is "RSI"? Why are we apparently experiencing an epidemic among keyboard users? Invited contributions from some of the UK's foremost authorities on the ergonomic, medical and legal aspects. Bell Howe Conferences Tel: 0602 436323
Fax: 0602 436440
LONDON

JUNE 22 & 23
The Allocation of the Radio Spectrum
The conference will provide a broad international perspective of developments: consider the allocation of the radio spectrum; what services should be run on it, competing or monopoly; and how transnational services can be co-ordinated. Enquiries: Financial Times
Tel: 071 925 2323 Fax: 071-925 2125
LONDON

JUNE 23
MAKING SENSE OF QUALITY:
Total Quality Management - opportunities and pitfalls revealed by new research from Europe. For Chief Executives, Directors and Senior Managers. A Conference organised by the Royal Society of Arts with the Royal Statistical Society. Contact Elizabeth Snell, RSA. 071-930 5115 fax 839-5805
LONDON

JUNE 23-24
Industrial Product Management
This seminar outlines the responsibilities, the relationship with the marketing process, product planning and development, and forecasting. Speaker: Michael Hunter. Contact: Louise Knight, Frost & Sullivan Ltd.
Tel: 071 730 3438 Fax: 071 730 3343
LONDON

JUNE 24
RECOVERY AND OPPORTUNITY
Life After the Recession. THE HENLEY CENTRE Special One -Day Conference. How will the recovery develop? And what will the implications be for consumer behaviour? Contact Anna Disley Tel: 071 353 9961 Fax: 071 353 2899.
LONDON

JUNE 24-25
Assertiveness Training for Managers
This seminar enables supervisors and managers to strengthen their control over the human relations areas of their jobs. Speaker: Deanne Rosenburg. Contact: Louise Knight, Frost & Sullivan Ltd. Tel: 071 730 3438
Fax: 071 730 3343.
LONDON

JUNE 24-25
Executive Information Systems '92 Annual Conference and Exhibition
Major independent event for EIS sponsors, developers and managers with 16 outstanding US and European speakers, many live system demonstrations and a comprehensive EIS supplier exhibition.
For full colour brochure ring Business Intelligence: 081-544 1830
Fax: 081-544 9020
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JUNE 25
MARKETING IN FRANCE
A comprehensive guide to promoting your product or service in France. Subjects covered: the Country and its markets, the marketing scene, branding and design, advertising, PR, direct mail. The first in a series of Country specific marketing events. Contact FiBEX, Tel. 071-489 9944
Fax: 071-236 6140
LONDON

JULY 1
Investment Opportunities in Sweden
Mr Per Westerberg, Swedish Industry Minister will give the keynote opening address on Sweden's industrial policy and privatisation programme. This reform of corporate tax structure and changes in corporate legislation will also be reviewed. Enquiries: Financial Times Tel: 071-925 2323 Fax: 071-925 2125
LONDON

JULY 2-3
Privatization
Worldwide ministers, officials, and experts will gather at Sixth London Privatization Conference. Speakers include Sir William Ryrie (IFC), Ibrahim Elwan (World Bank), John Mullen (USAID). Themes include regulation, management renewal, attracting foreign finance, developing a stockmarket. Enquiries: Adam Smith Institute
Tel: 071 222 4995 Fax: 071 222 7544
LONDON

JULY 6
Creating A Business Oriented I.T. Department
This one day management conference examines the opportunities, problems and critical factors involved in refashioning I.T. departments to be more responsive to business needs. Contact: Business Intelligence
Telephone: 081-544 1830
Fax: 081-544 9020
LONDON

JULY 6 & 7
Telecommunications & the European Business Market
The liberalisation of the European telecommunications market, the new alliances that are being formed to meet the global communications needs of business customers. Enquiries: Financial Times
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

JULY 7
INTERNATIONAL JOINT VENTURES
Legal issues and strategic Planning. For lawyers, finance directors, accountants and bankers. Legal analysis plus practical guidance via case studies on construction and technological sectors. Speakers from UK, Europe and US. Contact Vicki Goffin, IBC Tel: 071 637 4383, Fax: 071 321 3214
LONDON

JULY 8
MARKETING IN SPAIN
An indepth focus on the differences needed to be addressed when marketing your product in Spain, when compared to your domestic market. Speakers from: DDB Needham, Rapp Collins, Michael peters Ltd., and Shandwick. Contact FiBEX. Tel: 071-489 9944 Fax: 071-236 6140
LONDON

JULY 14 & 15
Financial Skills for the Profit Motivated Manager
Practical, indepth knowledge for non-financial executives. A two day course enabling you to implement financial and accounting techniques and enhance your profitability Contact FiBEX. Tel: 071-489 9944 Fax: 071-236 6140
LONDON

JULY 15
Coal privatisation: Who gains, who loses
A one-day seminar examining the impact of the coming privatisation of British Coal; on the future pattern of use, coal sourcing, and profitability of production and supply in the UK. Contact: McCloskey Coal Information Services Ltd. Tel: (0730) 265096
Fax: (0730) 260044
LONDON

OCTOBER
Privatisation British Railfreight & Open Access on European Railways
Examining options for privatising the railfreight division of British Rail and the implications of the EC Directive on Open Access. Speakers include politicians, financial experts, freight analysts and railfreight customers. Contact: Iain Dale, The Waterfront Partnership Tel: 071 730 0430
Fax: 071 730 0460
LONDON

INTERNATIONAL

MAY 26-27
PETROCHEMICAL CONFERENCE
Sponsored by Saudi International Bank and Chem Systems. The conference will bring industry and finance professionals to discuss the opportunities for profitable investment in regional and world chemical markets. For further information, please call Lesley Sweet . Tel: 44 71 839 4652, Fax: 44 71 930 1504
DUBAI

MAY 26 & 27
Asian Electricity
The conference will focus on electricity privatisation in the the region, review the widening role of the privat sector and examine the structuring and financing of projects. Enquiries: Financial Times
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

JUNE 4-5
Scanning the Future
Perspectives for the world economy up to 2015. Renowned speakers from the academic world, business and government discuss major topics. Organized by the Netherlands Central Planning Bureau and sponsored by Internationale Nederlanden Group. Enquiries: Paul Besseling
Tel: +31 (70) 3383-409
Fax: +31 (70) 3383-350
THE HAGUE

JUNE 11
HOSTILE TAKEOVERS
Are protective devices a blessing or curse? This Conference looks at hostile takeovers and alternative models as a managerial disciplining device. The focus will be economic, aiming at an evaluationof managerial defenses. Speakers include leading academics and practitioners from USA and Europe. Contact: Amsterdam Institute of Finance. Tel: +31 20 5208555
Fax: + 31 20 6229446
AMSTERDAM

JUNE 11 & 12
Commercial Aviation and Aerospace in East and West Europe
The conference will bring together a galaxy of distinguished speakers to examine the opportunities for co-operation and collaboration in Europe. Enquiries: Financial Times
Tel: 071-925 2323 Fax: 071-925 2125
BERLIN

JUNE 15-16
6th INTERNATIONAL PRIVATE BANKING CONFERENCE
"Coping with Transparency"
Demands for greater transparency in business dealings threatens the total confidentiality tradition of Private Banking, affecting both private bankers and customers. How is the market adjusting - what are the opportunities? Contact: Yvonne French, Lafferty Conferences, Tel: +353 1 718022
Fax: +353 1 713594
GENEVA

JUNE 11&12
Commercial Aviation and Aerospace in East and West Europe
The conference will bring together a galaxy of distinguished speakers to examine the opportunities for co-operation and collaboration in Europe. Enquiries: Financial Times
Tel: 071-925 2323 Fax: 071-925 2125
BERLIN

JUNE 15-19
PETRO EXPO '92
Trade exhibition/conference on the African Petroleum Industry, including finance, law, and insurance sectors. Emphasis is on Nigeria, which has Africa's largest gas reserves, and ranks fifth globally as a producing country. An unique opportunity to start or develop business with Africa.
Contact : UK : Tel: 081-518 3917
Fax: 081-518 3768 USA Tel: 713-524 0932
Fax: 713-524 1546
NIGERIA

JUNE 16-17
DRI/McGRAW-HILL's ENERGY CONFERENCE
Environmental Issues and The Rational use of Energy. A unique opportunity to exchange views on the critical issues for the future of European energy markets: implications of CO² emissions policy and the Internal Energy Market. Contact: Corinne Redonnet, Tel: 081 545 6212,
Fax: 081 545 6248.
COPENHAGEN

JUNE 19
EXOTIC OPTIONS
Valuation and Hedging. This seminar will focus on valuation methodology and practical applications of special types of options, such as Average Rate Options, Balloon and Barrier options, Zero Premiums, Quanto's and Volatility Options. Management and risk-reduction techniques are outlined.
Contact: Amsterdam Institute of Finance
Tel: +31 20 5208555
Fax: +31 20 6229446
AMSTERDAM

JUNE 22 & 23
World Gold
This annual meeting provides a unique forum for producers, traders, bankers and users to discuss international market trends. Enquiries: Financial Times
Tel: 071-925 2323
Fax: 071-925 2125
MONTREUX

OCT 29-30
ENTREPRENEURIAL LEADERSHIP
A practical two day workshop focusing on the principles and practices used by leading-edge, forward looking, innovative companies, and how we can apply them in our unique business situation to improve performance and generate new revenue streams. Tel: 081 366-0832
Fax: 081 366-0832
FLORIDA KEYS

EXHIBITIONS

JUNE 16-18
The ILDM Logistics and Distribution Exhibition
This exhibition features equipment and services for the fast and cost-effective movement of products throughout the distribution cycle, from primary production to delivery to the end-user.
Ring 0895 679111 for Cumplimentary Tickets, or 0895 677677 for information.
BIRMINGHAM

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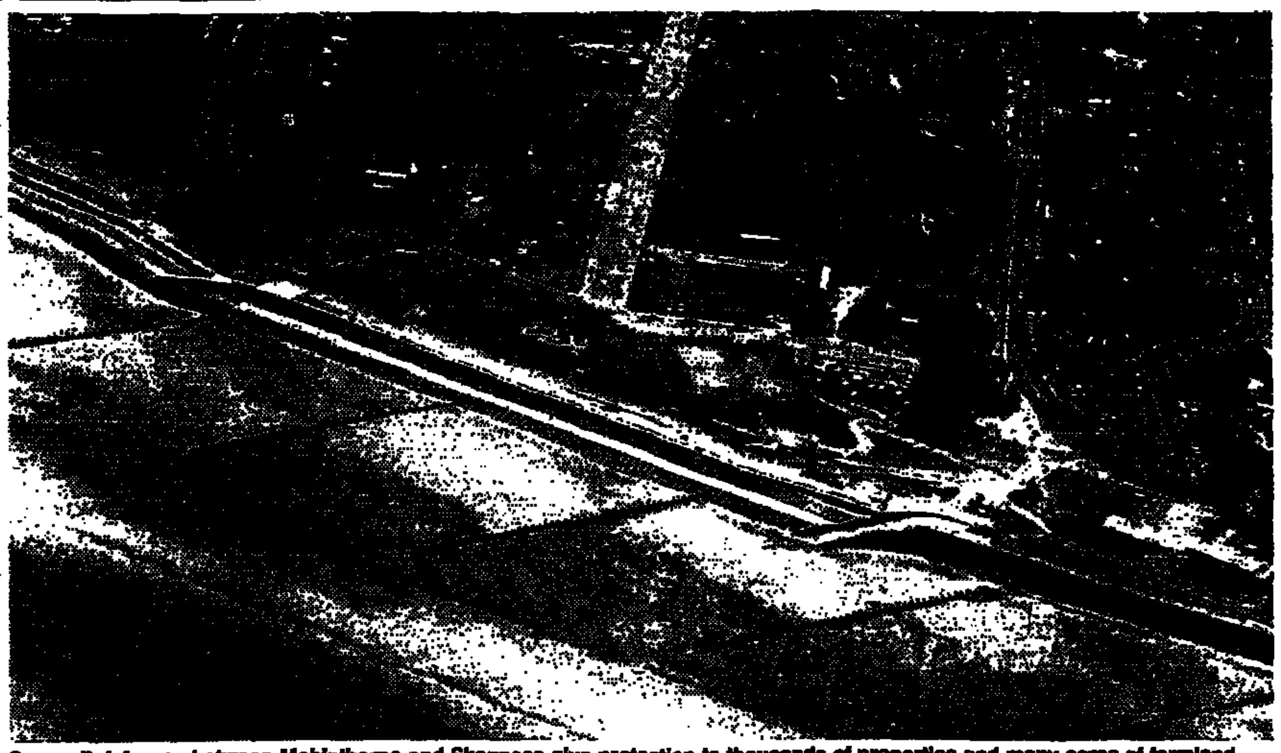
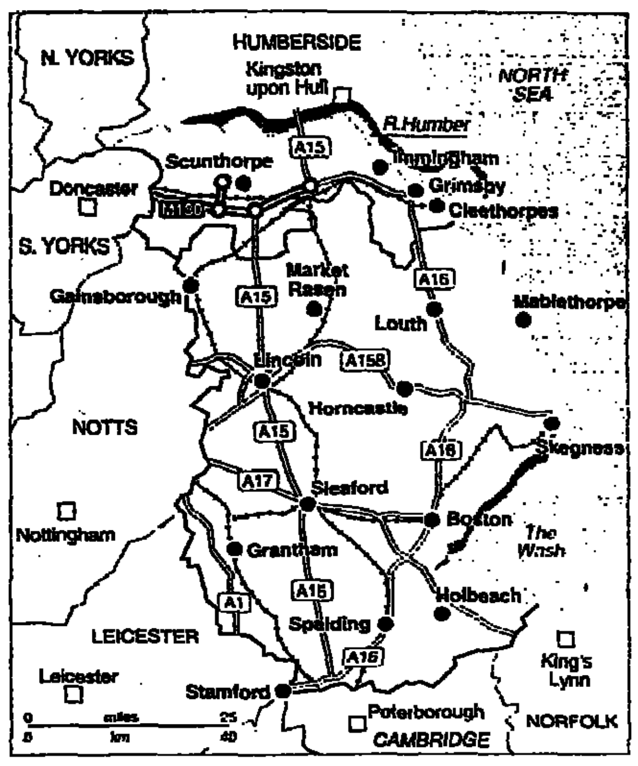
LINCOLNSHIRE AND SOUTH HUMBERSIDE

Monday May 11 1992

The region's strength is its diversity, writes **Paul Cheeseright**. Yet a variety of economic experience in an area no longer a sleepy outpost has led to competing interests, the harbinger of conflict. It would be a pity if this were to deter private-sector investment.



Sea-wall defences between Mablethorpe and Skegness give protection to thousands of properties and many acres of farmland. The contractor was Clugston Construction, one of the large companies that have their headquarters at Scunthorpe: see Page 3



Upheaval on the way

FROM THE Wash to the Humber, from Skegness to Scunthorpe, from Grantham to Great Grimsby, two decades of change have created an economy of modest robustness and set off a momentum of development.

This is not to argue that Lincolnshire and South Humberside have avoided the recession. There have been rationalisations, redundancies and bankruptcies; and there are areas of great need. But cores of strength do exist, some traditional, some of more recent vintage, which offer the possibility of expansion whenever the UK economy recovers.

These areas include: the Humber ports; the chemical and food industries of Grimsby; the newly diversified Scunthorpe; the engineering of Lincoln; the farming of Lincolnshire, notwithstanding the external pressures; and the small-scale industry of the *minor towns.*

The region's strength – and to this extent Lincolnshire and South Humberside are a mirror of the wider East Midlands region – is its diversity.

Yet this is also an uneven area. The major urban localities are Lincoln and Grimsby, the first with a population of about 100,000 if its southern suburbs outside the strict boundary are included, the second with half as many people again.

There is a clutch of smaller but significant towns (Scunthorpe, Boston, Grantham), then those that are smaller still (Louth, Skegness, Spalding, Stamford, Gainsborough), *after which the population* spreads out. Lincolnshire is one of the largest counties, popularly known for the gentleness of its countryside.

The unevenness is evident not only geographically but also in the impact of the recession. At 8.8 per cent, the average unemployment rate in Lincolnshire in the early spring may have been nearly a point lower than the national average, and during 1991 jobless levels may have risen at half the national rate. The number of people out of work in Grimsby, the largest town of South Humberside, *may at the end of 1991* have been one percentage point above the national rate, instead of three percentage points above at the beginning of the year. But such averages hide sharp disparities.

In Lincolnshire, for example, there is talk of a north-south divide. Indeed, in the south of the county, although unemployment has risen as the recession has bitten, the percentage has been, in the case of the Sleaford area, more than three points below the national average. In the city of Lincoln, *the rate is roughly the same as* in the country as a whole. But over on the coast, in and around Skegness, it climbed towards 19 per cent.

> The county council would welcome an extension, but the larger urban areas have no desire to be absorbed

The explanations lie in the varied economic profiles of distinct areas, and in the range of assistance which is available from central government and in recent economic history.

Skegness and the coastal belt of Lincolnshire have been excessively dependent on erratic seaside tourism; its industrial base is weak; it is on an outer limb of the national communications system. But in farming, Lincolnshire, desig*nated as an area of rural development,* there was throughout the 1980s considerable building and occupation of small factories, so that an industrial element has been welded on to the traditional market activities of the small towns.

At the same time, in the south of the county, there has been private sector investment as companies, in more prosperous times, sought expansion denied them in East Anglia and the South of England by labour shortages and higher land costs. The south, too, has become part of the London *commuter belt – a distant dor*mitory suburb creating its own demand for services.

Similarly, though for other reasons, development on Humberside has taken different forms. The loss of Grimsby's deep-sea fishing fleet in the 1970s found its compensation in the expansion of the chemical, food-processing and storage industries. In spite of the decision of Findus to withdraw from food processing, other companies have emerged gradually to offset the loss.

Yet Grimsby's economic *diversification has been hin*dered by the competing attraction of Scunthorpe. Here, designation as an assisted area and the existence of an enterprise zone have meant that incoming companies have been able to tap a range of subsidies unavailable on the coast. Even so, on the coast, the emergence of Grimsby and of Immingham *as the largest bulk cargo port* in the UK has created another pillar of economic resilience.

Such a variety of economic experience has helped to create competing interests, which are the harbinger of conflict. There is a proposal that all these communities should be pushed together into one administrative unit. The Local Government Boundary Commission has recommended that South Humberside should be absorbed in Lincolnshire.

The recommendation has been frozen while another commission established by the government decides how, and with what boundaries, a system of unitary local authorities might be introduced across the country by 1994.

Lincolnshire County Council *would be delighted to see its* boundaries extended, and to have a territory running from the Humber to the Wash. Humberside County Council opposes its own demise and deems the thought wasteful.

The larger urban areas have no desire to be absorbed into a wider Lincolnshire. Grimsby wants to be a county borough, *as it was a generation ago, and* thinks that the level of service to the public would be lower as part of Lincolnshire. At the same time, Lincoln city wants to be a unitary authority in its own right, but with wider boundaries. Within all of this there is scope for a political *battle royal. At the minimum,* there will be some upheaval.

This would be a pity, especially if it diverted the public authorities from encouraging solutions to deeper-seated problems – for example, the need to foster training in the frequently low-skilled, low-waged urban areas; to take education into the more iso*lated rural areas; to create* a new university and enlarge the industrial-academic nexus.

It would be a pity, too, if political squabbles deterred private-sector investment. The area is no longer a sleepy outpost of the UK, bypassed by the communications system. It is more like a bridge between north and south: close enough to the south to siphon off companies looking for space; but, with its ports, close enough to the industrial Midlands and north to act as a conduit to continental Europe.

Lincolnshire, in fact, is likely to increase its population, which is moving towards *600,000 after having grown* by 10 per cent in each decade since the second world war. Net immigration of 50,000 is expected by the end of the century. Much of this is likely to come from south-east England, and implies a steady economic expansion.

IN THIS SURVEY

Traditional Cleethorpes

LINCOLNSHIRE AND SOUTH HUMBERSIDE 2

Communications – and a bold plan entitled Green Links

A dream corridor to Europe

THERE IS a vision, which makes the periphery the centre, which changes the shape of European trade flows and which restores rail to the prime position as a handler of freight. It is a vision called Green Links.

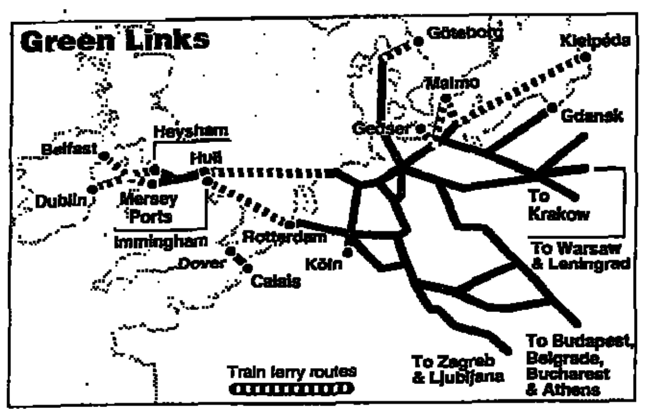
And it is not surprising that Great Grimsby is enthusiastic about it, because it could provide the town and the expanding neighbouring port of Immingham with a new role in the next century.

Green Links is an idea for a rail and sea corridor, linking Ireland and the northern half of England with northern and central Europe. Immingham would be its key British axis, the last UK stop on the route to Germany, Russia, Czechoslovakia.

The European Commission is helping to fund studies. Local authorities throughout Europe are involved. But what the idea lacks in the UK is an adequate rail network. "We're agitating to get British Rail to put more effort into freight. Green Links is aimed at BR as much as at Europe," said Mr Roy Bentham, Grimsby's director of leisure and economic development.

As it is, the growth of the Humber deepwater ports, handling around 60m tonnes of freight a year – Immingham carried more freight in 1991 than in 1990, despite the recession – has been and will continue to be of economic significance. Although the plans for a new coal terminal foundered in March on PowerGen's hesitation, Associated British Ports, the owner, plans a new terminal of a different type, possibly for containers.

Immingham is the major port of the region; indeed, it handles a greater volume of freight than any other port in the UK. But there are others, not least that of Grimsby itself, which has won the contract to handle the export of cars from the new Toyota plant at Burnaston, Derbyshire. Here, too, a consortium of fish merchants, fishing vessel owners and private dock operators, working under a licence from Associated British Ports, has a £16m plan for the modernisation of the fish docks.



In Lincolnshire, the fortunes of Gainsborough, an inland port, have been in decline. But, under the new privatised management of A.F.Budge and John Sutcliffe, at Boston, on the Wash, work is taking place to allow entrance for vessels of 4,500 tonnes, instead of the present limit of 3,000 tonnes.

Immingham, the region's major port, handles more freight than any other in the UK

Sutton Bridge was completed at the end of the 1980s as a general cargo port.

Inland links to the ports have improved as the road infrastructure has gradually improved. The completion of the M180, running along the Humberside-Lincolnshire border, has been partly instrumental in fostering the growth of the Humber ports.

The next motorway dream of the local authority planners relates to north-south communications. It is to have an extension of the M11 from Cambridgeshire through to Durham. It would pass to the east of Lincoln and to the west of Market Rasen, but the proposals and the route suggestions now reside in the Department of Transport awaiting decision. Meanwhile, the main north-south axis is the A1 and there is a programme to upgrade this to a three lane motorway.

Other changes are of smaller order. The transformation of the A46 between Newark and Lincoln should be completed by 1996. Improvements have taken place to the east-west A17. The A52 between Nottingham and Skegness and the A158 between Lincoln and Skegness are being upgraded. The Lincolnshire County Council, following a policy of keeping through traffic out of market towns and villages, is spending on by-passes - at Swallow and Wainfleet, for example.

Similarly, the main immediate improvements to the rail network are local. Lincolnshire County Council and Regional Railways reached agreement in April on the joint financing of a £3m package to modernise the line which cuts across the county, through Gainsborough, Sleaford and Spalding, starting at Doncaster and terminating at Peterborough. Without such an agreement the line probably would have been lost. A similar scheme was worked out for the Grantham-Skegness line ten years ago.

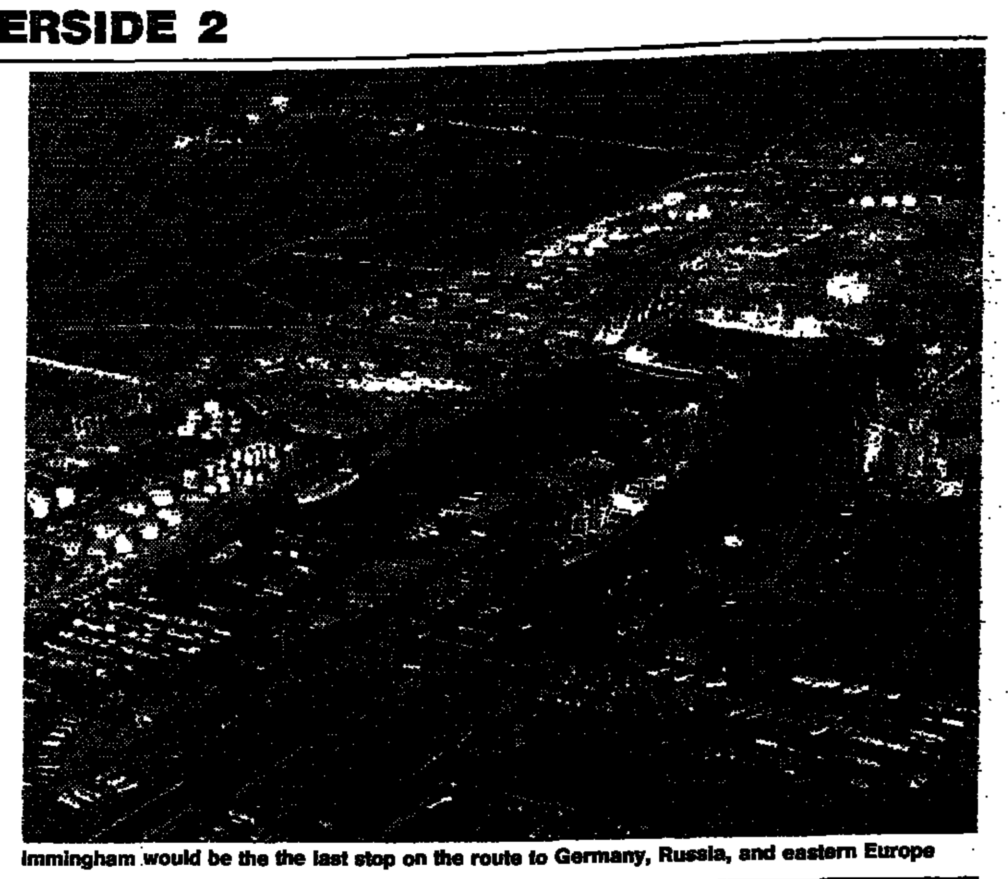
Certainly there are local fears that British Rail may cut out its InterCity service between Newark and Grimsby, cutting the direct link with London, although there is a local service of Sprinter trains.

But rail services, especially from the south of the county, are sufficiently speedy for Lincolnshire to be considered as London commuter territory. This is because of the electrified east coast main line, which means that the Grantham-London connection can be travelled in less than an hour. This route will be increased in importance once the Channel Tunnel opens: Newark is a designated stop for the direct passenger service to continental Europe.

But there is one point that worried the Confederation of British Industry as early as 1990. "The decline in the number of rail freight terminals in Lincolnshire needs halting," it said in its document, *Towards 2000 in Lincolnshire*. "Lincolnshire needs easy access to the inland rail freight terminals to take advantage of the Channel Tunnel," and hence to ensure growth into continental markets.

Continental air links are through Humberside Airport in the north, recently expanded to take more scheduled traffic, and through East Midlands Airport, to the south in Derbyshire. But for transatlantic flights, passengers still have to go either to London or Manchester.

Paul Cheeseright



Immingham would be the the last stop on the route to Germany, Russia, and eastern Europe

The region will provide power for England in the 21st century

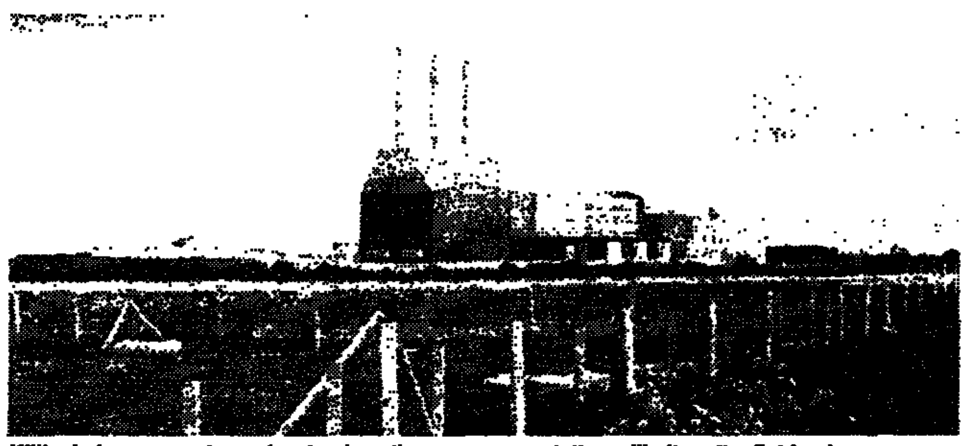
Sea gas will drive new stations

DISTINCTIVE new industrial landmarks are springing up on the flat countryside between the Wash and the Humber estuary.

They are the chain of gleaming new power stations which will supply much of England with cheap, environmentally clean electricity well into the 21st century.

As a result of the new investment, the region could one day rival the coalfields of Yorkshire and the Midlands as a centre for bulk electricity generation.

All the new generators there will use natural gas from the North Sea, and comprise high efficiency combined cycle technology, in which the waste heat from the primary gas turbines is used to drive auxiliary steam turbines.



Killingholme: a montage showing how the new power station will sit on the flat landscape

The area's first new station, at Killingholme on south Humberside, is due to start supplying the national grid in the autumn. The 900 MegaWatt plant, owned by PowerGen, one of the successor companies of the former Central Electricity Generating Board, will be the biggest non-nuclear power station to be opened in Britain since the 1970s.

The PowerGen plant is the first of eight large gas-fired power stations planned in this area and over the next five years. They have a total capacity of 5,730MW, which, on a warm bank holiday evening, could supply a high proportion of national demand.

The list includes a second 800MW PowerGen plant at Killingholme, and a 620MW station on the same site being built by National Power, the bigger of the non-nuclear companies carved from the CEGB.

The catalyst for the programme was the 1990 privatisation of the electricity industry which demolished the monolithic CEGB and opened the door to competitive electricity generation.

Two other factors have attracted a large part of the planned new generating capacity to the South Humberside and Lincolnshire area:

- Its accessibility to the main "super-grid" lines built to convey electricity to south-east England from the power stations of the Yorkshire and Trent Valley coalfields; and
- Its terminals for the gasfields of the southern North Sea, which are set to rival the coalfields as the principal fuel sources for electricity production.

These twin factors, says Mr Philip Champ, director for power station development at East Midlands Electricity, are "the magnet which has made the region around the Wash the busiest bit of England".

In addition to those planned at Killingholme, new plants are being built or planned at Brigg, Keadby, Stallingborough and Sutton Bridge.

The radical nature of the overhaul of the electricity industry is evident in the exotic mixture of companies behind the new projects. They include the privatised regional electricity companies (before being privatised, they were restricted only to distribution of power) and numerous overseas companies, ranging from combustion equipment suppliers to overseas utilities.

A £400m plant at Keadby, South Humberside, is a partnership of Scottish Hydro-Electric and Norweb, the North West electricity distribution company.

In the £400m plant, at Sutton Bridge, Lincolnshire, East Midlands Electricity is partnered by Electricité de France, the French state utility, GEC Alsthom (the Anglo-French combustion plant-maker), France's Compagnie Générale des Eaux, and Iberdrola, an independent Spanish utility.

PowerGen's first Killingholme station is being built by Siemens, the German electrical giant, and its Kraft Werk Union power generation group.

The biggest single project, the 1,320MW South Humber Bank, at Stallingborough, is being developed by IVO (Imatran Voima Oy), Finland's biggest electricity company, which is also the contractor for the Yorkshire Electricity-led 240MW station at Brigg, a British Sugar refinery site. The Brigg turbines will be supplied by the Lincoln-based European Gas Turbines, 90 per cent owned by GEC Alsthom and 10 per cent by General Electric of the US.

Contrary to the ripples which power station projects sometimes cause elsewhere in Britain, the people of this area have seemed rather unconcerned at the rate of new development in their midst.

Planning permission for a power station has been available for years at Stallingborough, proposed site of the South Humber Bank plant. Similarly, at nearby Killingholme, bought by the CEGB in 1957, there had been successive plans for stations – both oil and coal – all of which were abandoned for economic reasons.

But there would be local anger if suggestions resurfaced to use Killingholme for a different energy-related purpose – in the mid 1980s, it was one of the places studied by NIREX for the burial of low level nuclear waste. (The idea was later dropped when the government went for a deep-level burial ground at Sellafield, Cumbria, but could be re-examined if the Sellafield scheme were abandoned.)

There is also local anxiety over plans for a big new coal importing terminal at Immingham. The plans were shelved before the general election, but might be revived if the new Conservative government gives the electricity industry the green light to expand coal imports. Local resistance to the new port is laced with concern about the effect it would have on employment in the Yorkshire coalfield.

On the other hand, many locals will breathe a deep sigh of relief over the effect of the smallest power station being built in the area. The 15MW station, on the site of the former Flixborough chemical works, will be powered by the manure of nearly 1m chickens a year reared on the Scunthorpe area's 40 battery farms. The highly pungent "poultry litter", as it is clinically called, has been traditionally used to fertilise the area's rich farmland giving it its recognisable aroma. This is one power station which should significantly improve, rather than pollute, the atmosphere.

Maurice Samuelson

Towards a new university

Nottingham's pupil

LEADERS OF Lincolnshire's public and private sectors are trying to grasp an opportunity they lost a generation ago, and which probably will not recur for another generation. It is to set up a new university.

The broad lines of how this will be done are now clear. The detail of the planning will be evident by the summer.

The university will be based on one or more of the existing colleges of higher education.

□

It will start as a university college, under the wing of either Nottingham Polytechnic or Nottingham University, and then, by the end of the decade or early in the next, it will strike off as an independent institution.

The origins of this attempt came out of thinking among local business leaders, and first emerged in a 1990 report of the Confederation of British Industry.

Business leaders were worried that the intellectual flower of the county tended to bloom outside. They wanted more young people to stay, to provide the intellectual stimulus for local business. They wanted the commercial benefits which can spin out of a strong relationship between industry and the academic world.

The first thought was that the university would be a private sector venture and, indeed, there were talks with the University of Buckingham about how it might be brought about.

But as local interest in the project grew and the public authorities became involved, the running was taken over by the Lincolnshire County Council. This resulted in a switch away from an exclusively private sector approach to an examination of ways in which a university of more orthodox background might emerge. It became clear that the easiest way was to invite an institution from the outside to foster the new university.

A neighbour's university and polytechnic have been chosen for detailed negotiations

The examination came at a good time. Not only are student numbers increasing sharply and expected to do so for the rest of the decade, but the methods of financing students are changing; so that, instead of travelling hither and thither to study, they are more likely to stay in the area of their home.

Lincolnshire County Council invited half a dozen interested tertiary educational institutions to make public presentations of how they would develop the existing county educational system so that, in a few years, a new university might emerge.

From these six, Nottingham Polytechnic and Nottingham University have been chosen for detailed negotiations. At the end of July, one of these two will be chosen to give birth to the new university.

Largely because it has been made clear there will be no government funding to help this process, the search will shortly begin for commercial sponsors of the university.

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Both the Nottingham institutions believe it will take around £30m to set it up. If there is a shortfall, there will be some resort to the money markets.

But Lincolnshire County Council itself may provide help: it is one of only two local authorities in the UK to be free of debt and, at the same time, it has substantial landholdings.

Paul Cheeseright

Success threatens Scunthorpe's development area status

New employers move in

SCUNTHORPE, AN industrial island set in the agricultural flatlands of South Humberside, stands at a crossroads, fearful that it may become the victim of its own success.

The 1980s were times of dramatic change for this town of steelworks and parkland, transforming it from a community overwhelmingly dependent on the steel industry to a manufacturing centre with a much more broadly based spread of activities, ranging from computer hardware to plastics engineering and food processing.

Development area status, an enterprise zone and European Community aid, giving access to European Coal and Steel Community loans and the European Regional Development Fund, have helped Scunthorpe to attract dozens of new employers during the last decade: more than 40 British companies and 16 multinationals have manufacturing bases in the town.

Unemployment, which, after the traumatic Normanby Park steelworks closure of the early 1980s, rose to a peak of around 20 per cent, is now, at 9.1 per cent, just below the national average. But in that case, one might ask, why should Scunthorpe have top-tier development-area status? That, the town's borough council fears, is precisely the question government ministers will be asking when they start their promised review of the UK's assisted-area map.

The council's answer is that the radical restructuring of the local economy, for which government assistance has been vital, is still incomplete. It faces the 1990s without the benefit of enterprise zone concessions: now fully occupied, the EZ loses its designation next year.

The recession has also bitten; the heady days of the late 1980s, when Scunthorpe was attracting, in net terms, 40 new businesses a year, have been followed by leaner times; in 1991 it lost 55 businesses net and around 500 jobs.

There is also an underlying fear that British Steel's Scunthorpe works, which makes steel sections and plate, is extremely vulnerable, should there be any further rationalisation in the UK's steelmaking capacity after Ravenscraig closes in September.

Of the four remaining major BS sites, Scunthorpe, part of the General Steels business, alone operates from an inland location. In the late 1970s, steelmaking in Scunthorpe employed around 23,000 people; today British Steel's payroll is 5,500; about 4,500 more people are estimated by the council to work as contractors on the BS site in the town. But more steel jobs are certain to go; BS announced last year that it is to close its Scunthorpe plate mill, resulting in 600 job losses in 1994.

Despite all this, British Steel remains by far the dominant local employer; all the newer companies Scunthorpe has attracted employ well below 1,000 people. It also has a subsidiary interest in its former rod mill in the town, now run by Allied Steel and Wire, and its former bar mill, now owned by Caparo.

Another cloud on the horizon is the possible knock-on effects on European assistance should the government abolish Humberside county council. As part of Humberside, Scunthorpe benefited under the European Community's Yorkshire and Humberside Steel Areas Integrated Development Operations Programme for areas hit by steel industry job losses.

Labour-controlled Scunthorpe borough council, however, favours Humberside county council's abolition; greater autonomy is a powerful promise.

On a brighter note, "Sunny Scunny" (stand-up comedians have a lot to answer for) has attracted £250m ininvestment and around 4,000 jobs to its 250-acre EZ.

Zone status triggered development of new industrial estates, offering rapid access to the motorway network and Scunthorpe town centre, yet close enough to the countryside for a pheasant to be spotted last week strutting across a major access road leading to Foxhills industrial park.

Large employers attracted to the EZ include the expansionist Spring Ram, HLF, part of Hillsdown Holdings, and Unigate, which developed Europe's biggest white meat and poultry processing plant at Foxhills.

This plant has just been acquired by Hillsdown, one of a spate of acquisitions which have brought sudden changes to the ownership of some of the town's key new businesses. They include the acquisition of Eurolam, formerly Welsh-owned, by the German company Keinle and Speiss, and of Sooner Snacks, bought from Borden by Dalgety. This deal has resulted in the transfer away from Scunthorpe of Sooner Snacks managerial posts.

But Scunthorpe remains the headquarters of several large private companies, including Clugston, one of the UK's top 50 non-housing building and civil engineering contractors, which employs 900 people nationally and turns over £115m a year. Founded 55 years ago, it pioneered developments in the use of steel industry slag before diversifying into its present activities. So far in 1992 it has won contracts worth £ 21m.

Among overseas investors in Scunthorpe, the Americans predominate, although the German presence is increasing. The town has just one Far East investment, Japanese-owned Citizen, which employs 230 people making computer printers.

About 36 per cent of Scunthorpe's employment is in manufacturing, well above the national average. Attracting other sorts of inward investment has proved more difficult. However, Lloyds Bank has chosen the town for its new national mortgage-processing centre, employing 120 people.

Now that the EZ is full, the council hopes incoming industry will buy sites at Lysaghts Enterprise Park, part of the Normanby Park steelworks site. More than £2m in government derelict-land grant has been spent here annually since 1985, but contamination makes for slow progress. Just 40 acres of the 400-acre site has so far been reclaimed. "We've hardly started," observes Mr Fred Kirk, vice-chairman of the council's estates and industrial development committee.

Mr Kirk, aged 68, and fellow Labour councillor and housing committee chairman Mr Brian Vessey, 57 are proud of their home town and optimistic about its future – if development area status is retained. "We're deemed to be a successful area," says Mr Vessey. "We're worried people in high places will judge us as not needing help."

Chris Tighe


The town has just one Far East investment: Japanese-owned Citizen, which employs 230 people


The 1980s saw a shift from dependence on the steel industry. And there is now an underlying fear that British Steel's Scunthorpe works, which makes steel sections and plate, is extremely vulnerable, should there be any further rationalisation in the UK's steelmaking capacity

Lincoln enjoys a splendid site, but a mixed economic landscape

Engineering keeps its place

THE CATHEDRAL broods over the city. High on the hill, it tells travellers coming in from the surrounding flat lands that their destination is near. For Lincoln is the focal point of the region, a fact recognised as early as the 12th century when the city received its royal charter.

"It is thought of as a small market town with a cathedral. But it is a significant industrial and commercial centre – this is the reality," said Mr Mike Roberts, of the city's economic development department.

Arguably, it is the economic diversity of the city that has enabled it, if not to avoid the recession, at least to escape its most damaging effects. Unemployment in the Lincoln travel-to-work-area is just under 10 per cent and close to the national average.

However, in the city itself unemployment is unofficially estimated at up to four percentage points more; and up to half of those without jobs are long-term unemployed.

The economic landscape is mixed. Historically, the city has been an engineering centre. Indeed, the tank was devised, developed and built in Lincoln during the first world war.

Nationally, engineering has been in the doldrums. But in Lincoln, European Gas Turbines, part of GEC-Alsthom, has a heavy order-book; while rationalisation at GPT, the telecommunications group now managed from Swindon, has caused redundancies. Over the past decade, old names like Ruston-Bucyrus, with its earth-moving equipment, have disappeared and emerged in smaller and more specialised form; but new names such as Rose Bearings, the fruit of Japanese takeover and investment, have emerged as more powerful local economic forces.

The engineering industry provides about 8,000 jobs in a local economy where there is employment for around 74,000. Engineering employment is more significant than tourism, where, even including the jobs in pubs, the total is about 5000.

Tourism is not as important as the dominance of the cathedral might suggest. Lincoln is not, for example, on the American visitor circuit. Although about 1m people may visit the city each year, most only stay for a day. Tourism is an industry awaiting exploitation. While there has been some expansion of hotels, the concern of the Confederation of British Industry remains valid:

"The lack of facilities in Lincoln and Lincolnshire, such as hotels and basics, like cinemas, means that, apart from the summer season at the coast, Lincolnshire does not attract as many tourists as it could accommodate."

For the CBI, there is another possibility: Lincoln could be a tourist base. "Good hotels, a full and imaginative use made of the Brayford Pool [the harbour built by the Romans] and exploitation of Lincoln's very historical and important Roman and medieval past could help the whole county."

But the thrust of investment in Lincoln is more narrowly based. Development, especially in retail facilities like the Waterside shopping centre, has continued despite the recession. And there will be more. G.W.Padley is planning a new food-processing plant; Anglian Water is moving some headquarters staff to a refurbished engineering works once owned by Clayton Dewandre and now by Simons, the construction group; the Inland Revenue is establishing its training headquarters in an old bishop's palace.

To what extent such development can ease the problem of the long-term unemployed is not clear. The city does not escape the problems of economic and social deprivation that are characteristic of UK cities. For the most part, problems are concentrated in the city's eastern wards.

Lincoln is not on the list of the government's 57 Urban Programme authorities, and hence does not receive 75 per cent grant aid for specified economic renewal projects. City leaders noted that, on most indices of deprivation (quality of housing, lack of education facilities, the number of one-parent families) Lincoln's eastern wards were as badly off as most Urban Programme authorities. But what the city does not have, the leaders observed, is a social difficulty with ethnic minorities. Indeed, according to government criteria, it is entitled only to the subsidy of Derelict Land Grant.

Efforts to persuade the government to make available more subsidies for regeneration have failed. But the government is more enthusiastic about a joint public-private sector approach to regeneration, on the model of the now superseded Birmingham Heartlands, called Investors In Lincoln. This groups the City Council, the Training and Enterprise Council, the Lincoln Co-operative Society, the Chamber of Commerce and six local development companies, with sponsorship from East Midlands Electricity.

How Investors In Lincoln will approach its task will be clearer later this year. By the end of this month, Drivers Jonas, the London chartered surveying consultancy, should produce a study which will include not only an urban regeneration plan, but also a business plan and a series of specific initiatives, long- and short-term, which will provide guidelines for the next 15 years. In Lincoln, the game is played long.

Paul Cheeseright


The cathedral dominates the city, yet tourism is not as important as this might suggest

Agriculture and food-processing continue to be dominant industries

Investment defies the recession

LINCOLNSHIRE tulip bulbs, exported to Amsterdam; Lincolnshire ducks, savoured in Japan; Lincolnshire ducks' feet, highly esteemed in China; Lincolnshire peas, computer-monitored in their pods – the county's centuries-old agricultural industry has certainly moved with the times.

It is the British county most heavily dominated by agriculture. The sector employed 8.8 per cent of the county's workforce in 1987, compared with a national average of just 1.5 per cent.

According to the National Farmers Union, Lincolnshire is Britain's biggest producer of cereals, potatoes, vegetables and oil seed rape. Sugar beet, poultry, pigs, flowers and bulbs are also important.

The county has been affected by agriculture's trend towards increased mechanisation: between 1978 and 1988, total numbers working on Lincolnshire's land, including farmers and casual and part-timers, dropped from 29,486 to 23,167, and the decline in jobs continues.

But it has also seen heavy investment by major food companies, despite the recession. It has benefited, too, from proximity to both Grimsby, a major food-processing centre, and to the Humber ports whose east-facing location will become increasingly important as a result of the single European market.

Agriculture dominates Lincolnshire physically: the sparsely populated county has only eight centres with more than 10,000 inhabitants. And the sector also has important spin-offs, such as agricultural engineering.

But the Rural Development Commission, promoting diversification, has been spending £2m a year on small factory and workshop developments since the early 1980s, when much of the county was designated a rural development area. All RDA boundaries are being reviewed next year.

As elsewhere, there is concern over the GATT negotiations and reform of the common agricultural policy. A more localised worry – even harder to influence – is the spate of dry summers which have hit the county's irrigation systems.

"The real crunch will come if we get another dry and hot summer," says Mr David Hill, the NFU's East Midlands senior policy adviser. The NFU is pressing the government to consider how water could be transferred, possibly into the Trent river system.

Recent private-sector investments in Lincolnshire include Christian Salvesen's new £8m vegetable-packing factory at Easton, near Grantham, claimed to be Europe's most advanced. The company, the largest UK processor of frozen green vegetables, has three large plants in Lincolnshire and another at Grimsby.

HL Foods, part of Hillsdown Holdings, operates three production centres in Lincolnshire, including a new chilled-salads factory at Spalding, described as the UK's most up to date. Another major food company, Geest, is headquartered at Spalding, where its Tropical Produce distribution centre has recently been refurbished. Geest's subsidiary, the Pasta Company, is now developing a large pasta-processing complex at Barton-on-Humber, in South Humberside.

Other well-known Lincolnshire-based names include Nickerson Group (exporters of ducks to the Far East), near Caistor, and William Sinclair Holdings, of Lincoln, producers of horticultural, pet and equestrian products. The county is also home to a number of successful producer co-operatives.

Some north Lincolnshire fields are yielding a new cash crop – oil – while, on the coast, Conoco's new Theddlethorpe gas terminal, linked to the Lincolnshire Offshore Gas Gathering System, will supply up to a third of the UK's natural gas needs.

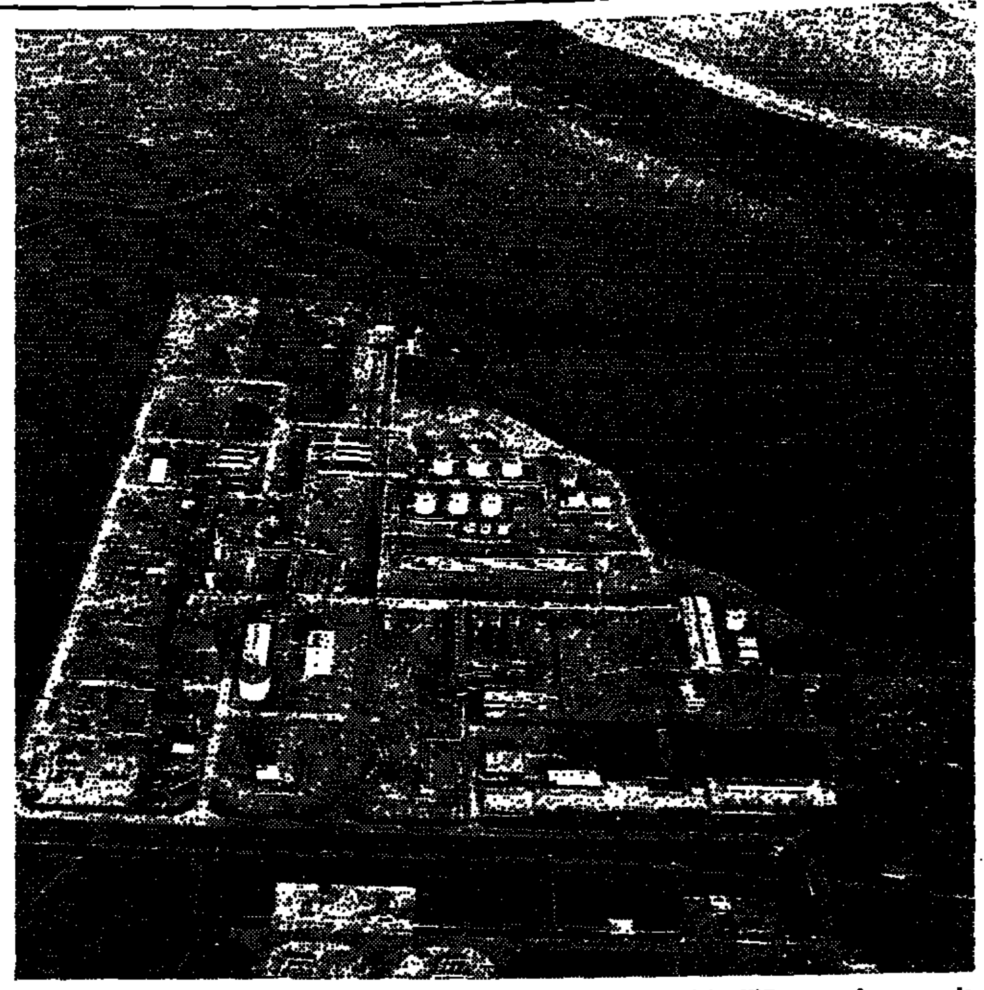
The importance to Britain's food industry of the land from the Humber to the Wash is underlined by the presence in Grimsby of 400 food-processing companies. Promoted as "Europe's food town", it estimates that 20,000 people work in its food sector and directly related companies.

Since 1989, food manufacturing investment in the town has exceeded £75m, including a £25m pizza factory, Europe's largest, developed by Ross Young.

Despite the loss of deep-sea trawling in the mid-1970s, about half the town's food processors are fish-related – Grimsby still has a fleet of 100 Seine netters and the UK's largest fish market. Fish is also imported for processing. And the town has an honourable role in sustaining a great British tradition: most English fish-and-chip shops are serviced within 24 hours from Grimsby.

Tony Andrews

Preparing frozen meals at the Grimsby factory of Birds Eye Wall's. Recently the company has built a new plant for the preparation of meat meals, which are exported to Europe



Conoco's new Theddlethorpe gas terminal will supply up to a third of the UK's natural gas needs

Despite all this, the food-processing sector last year delivered Grimsby a major blow – news that Findus, moving out of fish-finger production in the UK, was to close its local plant, costing more than 900 jobs over two years. The knock-on effects of closure would be serious: Findus' gross annual wages bill locally is £7m. Its contracts with 130 local suppliers are worth £1.8m. Now, however, Booker, part of the Fitch Lovell food conglomerate, has expressed interest in taking over the plant. A deal depends on whether government assistance will be granted.

All this has heightened annoyance in Grimsby that the town is an intermediate area, while Scunthorpe, with lower unemployment, is a development area, offering inward investors more incentives. It has not escaped the notice of "Europe's food town" that, since 1984, its steelmaking neighbour has won 1,200 food-sector jobs – Scunthorpe now has seven substantial food plants, compared with just one before.

In the dog-eat-dog world of lobbying for government aid, Grimsby, with its above-average jobless rate of 10.9 per cent, is arguing that it needs at least as good a deal as Scunthorpe.

Unusually, Grimsby's manufacturing sector is dominated by two unlikely bedfellows – food and chemicals. The chemical industry, employing 3,200 people, lies within the borough and to the north along the coastal strip towards Immingham.

It is investing very heavily in "green" technology. But combining food and chemical industries as environmental standards rise will not be easy, admits Mr Roy Bentham, Grimsby's director of leisure and economic development. "As years go by, we have to make sure the two don't affect each other adversely," he warns.

Chris Tighe

Tony Andrews

The real thing: preparing the catch for sale, in Grimsby fish market

The coastline means ports, tourism and the heritage business

A trawl through history

SCRATCH 'N SNIFF, orders the "very smelly leaflet" about Grimsby's new National Fishing Heritage Centre. So you do – and the whiff of fish and engine oil rises up from the page.

Opened a year ago, this imaginative museum, an attempt to plunge visitors into the sensations of 1950s North Sea trawling, has received an enthusiastic public response. It attracted 70,000 visitors in its first eight months, and has created almost from thin air a tourist industry for Grimsby, once the world's largest fishing port.

The £3m development, funded jointly by the European Community and Grimsby council, promises visitors the chance to "sign on" as crew members before travelling through an imitation Grimsby back street to the Arctic fishing grounds.

"You feel the pitch and roll of the ship, the urgency and excitement of the catch, the raw, icy blast of the wind..." promises the glossy brochure.

More is in store: an "exhibition", opening later this month, will allow visitors, securely on terra firma, to "experience the harsh reality of being under enemy fire on the gun-deck of a trawler at war", before switching to the German side and cowering in a recreated U-boat being depth-charged. "It's mine blowing," screams the publicity. "Feel the submarine shudder, hear the tortured metal fracture..."

All this may arouse misgivings among those uneasy about Britain's heritage industry. There is indeed irony in recreating the dead trawling industry next door to a new Sainsbury's hypermarket; while Grimsby's nearby fish dock, somewhat tatty, as genuine backstreets tend to be, but at least still operating, is not deemed a tourist attraction. The fish dock is also fighting for government cash towards a £16m upgrading.

But then, Billy Butlin perhaps ruffled feathers when, in the 1930s, he decided that Skegness, where he had set up his hoopla stall with a borrowed fiver, should become the site of his first UK holiday camp. And before that, the Earl of Scarbrough's agent probably alarmed Lincolnshire villagers in the 19th century when, on his recommendation, Skegness was developed into a seaside resort.

> Lincolnshire attracts 5m day-visitors and 7m overnight stayers a year

Today, Skegness and Mablethorpe, the Lincolnshire coast's main resorts, and Cleethorpes, just inside South Humberside, retain their traditional British seaside character, despite some substantial investment, including the £27m spent by Rank Leisure on Funcoast World, successor to Butlins at Skegness.

Lincolnshire and South Humberside Tourism – a body set up in 1990, with local authority, tourist board, private sector and Rural Development Commission backing, to promote tourism – estimates that Lincolnshire attracts 5m day-visitors and 7m overnight stayers annually.

The organisation's manager, Mr Christopher "Kipper" Scott, says tourism in Lincolnshire employs 28,000 people for part or all of the year, and generates a £310m annual spend. Believing that tourism in the area has development potential, he has launched a national advertising campaign. So far it has sparked 10,000 requests for the county's short breaks and main guide.

At present, Lincolnshire tourism is concentrated on the coastal strip, which has traditionally catered for visitors from Yorkshire, the East Midlands and Lincoln. The area now has to compete with year-round theme-park developments such as Centre Parks' Sherwood Forest complex. A recent CBI report, Towards 2000 in Lincolnshire, suggested the county consider creating such a facility.

Efforts are being made both to encourage more visitors to Lincolnshire, especially from East Anglia and south-east England, and to coax more of them into the county's many attractive historic towns and villages. Mr Scott is also wooing walkers and nature-lovers by emphasising the coast's nature reserves.

Nor will devotees of Alfred Lord Tennyson escape Lincolnshire's entreaties: this year, the 100th anniversary of his death, he is being invoked to promote Mablethorpe, where he spent part of his youth. "I think Lincolnshire has 'calm and deep peace' to offer," ventures Mr Scott, in Tennysonian mood.

Along the coast, in Grimsby, the local authority hopes tourists attracted by the National Fishing Heritage Museum will be persuaded to linger, and spend money, at the recently completed £50m Freshney Place shopping centre, a mixture of town centre refurbishment and redevelopment. Further rejuvenation of the Alexandra Dock, where the museum has been built, is also planned.

Whimsy and nostalgia fade away north of Grimsby; the no-nonsense might of South Humberside's chemical installations and its large Immingham port complex have yet to be "interpreted" by industrial tourism.

The elegant Humber bridge attracts some tourists, but most developments here appeal mainly to local job-hunters. Kimberly-Clark, for example is developing a new £100m paper products plant at Barton, creating 750 jobs.

The Humber estuary – consisting of the four main ports of Hull, Goole, Grimsby and Immingham and numerous wharves on the rivers Trent, Ouse and Hull – has seen trade rise by 50 per cent in a decade. It now handles 60m tonnes of goods a year, and regularly services 52 countries.

The European single market looks certain to boost further the estuary's port activity. Markets serving 320m European customers – 740m if you include eastern Europe and the former Soviet Union - can be reached within 24 hours from the Humber. It already handles most UK trade to and from Germany, Belgium, Holland and Scandanavia.

Further investment of more than £100m in the Humber ports is in the pipeline. With more than 100 berths run by more than 20 operators, many of the estuary's distinctive ports and wharves have established particular strengths in certain operations.

One remarkable feature of the estuary is that, thanks to its rivers, it stretches 50 miles inland, allowing ships to be discharged close to major motorways and feeding into Yorkshire's canal network. Sadly, however, Britain's most inland port, Gainsborough, on the Trent, is experiencing problems, because twists in the river make it unsuitable for larger vessels. How long, one wonders, before the tourist influx arrives?

Chris Tighe

THE WEEK AHEAD

ECONOMICS

UK retail price index may show significant inflation increase

VARIOUS WAYS of measuring inflation in Britain will come under the spotlight this week as economists pore over data relating to the pace of the hesitant recovery that seems to be under way.

Much attention will be focused on the retail prices index for April, to be released by the Central Statistical Office on Friday. Many economists believe the index rose by about 4.4 per cent in the 12 months to April.

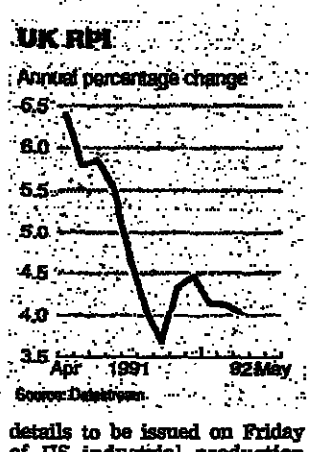
This would mark a significant increase in so-called headline inflation, which registered 4 per cent in the year to March.

Although various technical factors are likely to account for any rise of this sort, signs that inflationary pressures have not disappeared worry many in the economics profession who feel Britain has not done enough to erase the psychology of rising prices.

Average earnings

On Tuesday the CSO publishes other figures for inflation as measured by the prices of factory goods for UK consumption at the wholesale level, while on Thursday the Employment Department is due to give its estimate of the underlying rise in average earnings for the year to March.

Economists interested in clues as to the strength of the US upturn will eagerly await



details to be issued on Friday of US industrial production last month.

The following are the highlights of notable events and statistics over the next few days. Numbers in brackets are market forecasts, provided by financial information company MMS.

Central bankers

Today. Switzerland: Bank for International Settlements meeting of central bankers, continues to tomorrow. France, economic policy committee of Organisation for Economic Co-operation and Development meets until tomorrow. UK: March credit business (repayment of £40m); March housing starts (12,900). Norway: April consumer prices index. New Zealand: April food price index.

Tomorrow. Germany: IG Metall union to decide on strike ballot. US: April producer price index (up 0.3 per cent on month, both including and excluding food and energy); March housing completions. UK: April producer prices index for factory goods (input prices, flat month-on-month, down 1 per cent year-on-year; output prices, up 0.8 per cent month-on-month, up 4.8 per cent year-on-year); April producer prices index for output, excluding food, drink and tobacco (up 2.8 per cent on year).

European Commission

Wednesday. Germany: Bonn to decide on 1992 supplementary budget and 1993-96 budget projections. France: European Commission meets. US: April consumer prices index (up 0.3 per cent both including and excluding food and energy), April retail sales (up 0.3 per cent on month), April real earnings, car sales between May 1 and May 10 (6m). Norway: April trade balance.

Thursday. US: March business inventories, April money supply figures (M1, up $3bn; M2, down $5.7bn; M3, down $12bn), money supply figures for week ending May 4 (M1, up $3bn; M2, up $3.5bn; M3, down $3bn), initial unemployment claims for week ending May 2 (410,000). UK: April unemployment (rise of 30,000), March rise in average earnings over previous 12 months (7 per cent). Sweden: April consumer prices index (0.4 per cent increase on month, 2.4 per cent increase on year). Australia: March retail volumes (rise of 0.9 per cent on month, 1 per cent on year).

Bundesrat decision

Friday: Germany: Bundesrat to decide on federal government's interest income tax bill. US: April industrial production (up 0.3 per cent) and capacity use (78.2 per cent). UK: April retail prices index (up 1.6 per cent month on month, 4.4 per cent year on year); RPI excluding mortgage interest payments (up 5.7 per cent year on year). France: April consumer prices index (up 0.3 per cent on month, 3.2 per cent on year); 1st quarter employment (rise of 0.3 per cent). Finland: April consumer prices index. Canada: March store sales and vehicle sales (down 5 per cent on month); March wage settlement increase (up 2.9 per cent).

During the week: Germany: retail sales in west (up 0.5 per cent). Holland: April consumer prices index (up 0.3 per cent on month); April unemployment rate (4.5 per cent). Switzerland: trade deficit in April (SwFr 480,000). Spain: consumer prices index last month (up 0.3 per cent on month, 7 per cent on year).

Peter Marsh

RESULTS DUE

NEXT week should provide some much-needed first-hand evidence about whether the UK is finally pulling out of recession as some of the most influential retailers report results and comment on the consumer's state of health.

On Tuesday, Marks and Spencer, which has been riding the rough trading better than most, is likely to edge profits 2 per cent higher to £635m. The company is also expected to make an announcement about the future of its loss-making Canadian operations. M and S's solid cost base and proven management skills should have enabled it to combat a loss of market share. But clothing margins will have been hit by widespread discounting elsewhere and the food business will have felt the force of furious expansion programmes of the big supermarket chains.

One of these, J. Sainsbury, is likely to boast of a more buoyant trading picture the following day as annual profits are likely to surge by more than 20 per cent to the £610m mark.

But Burton Group, the ill-starred fashion retailer which has seen two chief executives depart in as many years, is only likely to confirm the pattern of its recent grim trading fortunes when it reports on Wednesday. Morgan Stanley suggests interim profits will be near £20m – with only a token dividend – and predicts a sharp reverse in the second half.

Grand Metropolitan, the food, drinks and retailing group, is expected on Thursday to lay the foundations for the further "year of progress" promised by Sir Allen Sheppard, chairman. A 3 per cent rise in interim pre-tax profits to about £390m is forecast with IDV, the drinks division, leading the way.

British Gas is expected to report a drop in its first quarter net income on Thursday to £630m from £729m in the same period last year, according to forecasts by County NatWest, the Edinburgh based brokers. The company saw profits eroded by warmer winter weather and lower gas production at its Morecambe Bay field.

Royal Dutch-Shell, the Anglo-Dutch oil company, is estimated to have made a profit of £650m in the first quarter on a replacement cost basis which strips out stock losses and gains. This is half the level made in the same 1991 period when income was £1.22bn. The company is expected to be hit by a weakening in refining margins, particularly in the Far East and a loss in its chemicals division as well as lower gas prices.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Associated British Ports, Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 12.00
Cairn Energy, Cairn House, 61 Dublin Street, Edinburgh, 3.30
Celestion Inds, The Britannia Intercontinental Hotel, Grosvenor Square, W., 11.00
JIB, 25 Copthall Avenue, E.C., 12.15
Mallett, 141 New Bond Street, W., 10.00
Merchants Trust, 20 Fenchurch Street, E.C., 12.45
BOARD MEETINGS:
Finals:
Blaichi Mining
Elswick
London & Assoc. Inv. Tst.
Parkland Textile
Personal Assets Tst.
United Energy
Windsor
Interims:
Aberdeen Tst.
Huntingdon Intl.
Southern Radio

■ TOMORROW
COMPANY MEETINGS:
Alexon, The Portland Suite, The Langham Hilton, 1c Portland Place, W., 10.00
Allied Radio, Gatwick Penta Hotel, Povey Cross Road, Horley, Surrey, 11.00
Argos, The Park Lane Hotel, Piccadilly, W., 11.15
British Polythene Inds., 96 Port Glasgow Road, Greenock, 12.00
Canning, Canning House, St. Pauls' Square, Birmingham, 11.00
Capital & Regional Properties, Hyde Park Hotel, 66 Knightsbridge, S.W., 12.00
Edinburgh Fund Managers, 4 Melville Crescent, Edinburgh, 12.15
Evans Halshaw, Monaco House, Bristol Street, Birmingham, 12.00
Fisons, London Hilton Hotel, 22 Park Lane, W., 11.00
Lasmo, Barbican Centre, Cinema 1, Barbican, E.C., 11.30
Marley, London Road, Riverhead, Sevenoaks, Kent, 12.00
Mersey Docks & Harbour, Atlantic Tower Hotel, Chapel Street, 12.00
Richardsons Westgarth, Pearl House, 2 Cornwall Street, Birmingham, 11.00
Stones, Holiday Inn Crowne Plaza Midland Hotel, 16 Peter Street, Manchester, 12.00
Sykes-Pickavant, Clifton Arms Hotel, Lytham St. Annes, 12.00
United Biscuits, The Royal Lyceum Theatre, Grindlay Street, Edinburgh, 12.00
United Newspapers, Stationers' Hall, Ave Maria Lane, E.C., 11.00
Usher-Walker, Connaught Rooms, Great Queen Street, W.C., 12.00
Wilson Bowden, Grand Hotel, Granby Street, Leicester, 12.00
BOARD MEETINGS:
Finals:
Costain-Cyclical Inv. Tst.
Donelon Tyson
Interims:
Fenner
Fidelity Japan OTC
Manaldo
Vaux

■ WEDNESDAY MAY 13
COMPANY MEETINGS:
Arcolectric, Central Avenue, West Molesey, Surrey, 11.00
Barr & Wallace Arnold Trust, Hilton Hotel, Neville Street, Leeds, 12.00
Cannon Street Invs., St. James Court Hotel, Buckingham Gate, S.W., 12.00
Colorgraphic, Birmingham Metropole Hotel, National Exhibition Centre, Birmingham, 12.00
EPG, New Connaught Rooms, Covent Garden Exhibition Centre, Great Queen Street, W.C. 11.00
Johnson Group Cleaners, Atlantic Tower Hotel, Chapel Street, Liverpool, 11.30
Kleinwort Smaller Co's Inv. Trust, 20 Fenchurch Street, E.C., 12.30
Legal & General, Temple Court, 11 Queen Victoria Street, E.C., 2.30
Lopex, Kenilworth Hotel, Great Russell Street, W.C., 10.30
Nestor-BNA, The Brewery, Chiswell Street, E.C., 12.00
Rutland Trust, Rutland House, Rutland Gardens, S.W., 12.00
SmithKline Beecham, The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, 11.30
Spear (J.W.), Richard House, Enstone Road, Enfield, Middlesex, 12.00
Spirax-Sarco Engineering, Queen's Hotel, Cheltenham, 3.00
T & S Stores, Swinfen Hall Hotel, Swinfen, Staffordshire, 11.00
UniChem, UniChem House, Cox Lane, Chessington, Surrey, 10.00
BOARD MEETINGS:
Finals:
Allied Irish Banks
City of Oxford Inv. Tst.
Gates (Frank G.)
Sainsbury (J.)
Interims:
Avon Rubber
Diploma
Greenalls

■ THURSDAY MAY 14
COMPANY MEETINGS
Slaters & Battersea Enamels, Singer & Friedlander (offices of), Calthorpe Road, Birmingham, 12.00
Boustead, The Merchant Taylors Hall, 30 Threadneedle Street, E.C., 11.00
Cattle's Hldgs., Willerby Manor Hotel, Well Lane, Willerby, Hull, 12.30
EW Fact, 23 Hand Court, W.C., 12.00
Estates & General, Selfridge Hotel, Orchard Street, W., 12.30
Everest Barden, The Savoy Hotel, Strand, W.C., 10.30
Fisher (James), Lisdoonie Hotel, Abbey Road, Barrow-in-Furness, 12.00
GKN, London Hilton Hotel, 22 Park Lane, W., 11.00
Greenby, Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.00
ISA Intl., 14 Eldon Place, Manningham, Bradford, West Yorkshire, 3.00
Jacobs (John I.), The Clifton Ford Hotel, 47 Welbeck Street, W., 10.00
Kwik-Fit, The Livery Hall, Stationer's Hall, Ave Maria Lane, E.C., 12.00
Laing (John), Dacorum District Council Pavilion, Marlowes, Hemel Hempstead, Hertfordshire, 2.15
Mill-Carsdon, Plaisterers Hall, 1 London Wall, E.C., 12.00
Page (Michael), 39-41 Parker Street, W.C., 12.00
Scholl, Windsor Guildhall, High Street, Windsor, Berkshire, 12.00
Sharpe & Fisher, Pittville Pump Room, Evesham Road, Cheltenham, 12.00
Shell Transport & Trading, The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, 11.30
Slag Furniture, Forte Crest Hotel, St. James Street, Nottingham, 12.00
Stat-Plus, Stat-Plus House, Greenlea Park, Prince George's Road, S.W., 12.00
TI Group, Glaziers Hall, 9 Montague Close, London Bridge, S.E., 12.00
BOARD MEETINGS.
Finals:
Bank of Ireland
Eldos
Fine Art Developments
Foster (John)
Hartlepools Water
King & Shaxson
London Atlantic Inv. Tst.
RIT Capital Partners
Smith St. Aubyn
Warner Howard
Yorklyde
Interims:
API
Barton
Cooper Oil
Grand Metropolitan
Hanson
Tomkinsons

■ FRIDAY MAY 15
COMPANY MEETINGS
AAF, 7 Queen Street, W., 11.00
ABW, Savoy Hotel, Strand, 12.00
Brooks Service, Swallow Royal Hotel, College Green, Bristol, 12.00
Clifford Foods, Lakeside Country Club, Wharf Road, Frimley Green, Surrey, 11.30
Derwent Valley, Durrants Hotel, George Street, W., 12.00
Forward Technology Inds., The Brewers' Hall, Aldermanbury Square, E.C., 12.00
Gibbs & Dandy, Forte Crest Hotel, Waller Avenue, Luton, Beds., 11.00
Harrisons & Crosfield, The Institute of Chartered Accountants, Moorgate Place, E.C., 12.00
Hepworth, Institute of Directors, 116 Pall Mall, S.W., 12.00
Hornby, The Great Danes Hotel, Hollingbourne, Maidstone, Kent, 11.00
Joyce, Farmers & Fletchers Hall, 3 Cloth Street, E.C., 11.00
Lec Refrigeration, The Goodwood Park Hotel, Goodwood, 11.30
Pelion, Alexander House, 65 Frampton Street, N.W., 11.00
BOARD MEETINGS
Finals:
South Staffs. Water
Tullow Oil
Value & Income Tst.
Interims:
Alexanders Hldgs.
Foreign & Colonial Inv.
Holmes & Marchant
Northern Indl. Improvt.

■ SATURDAY MAY 16
COMPANY MEETINGS
Nurdin & Peacock, The Heathrow Park Hotel, Bath Road, Longford, West Drayton, Middlesex, 11.30
Company meetings are annual general meetings unless otherwise stated

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Armour Trust 0.315p
ASEA A SK7
Do. B SK7
Cie Bancaire FFr10
British Vita 3.6p
Candover Invs. 6p
Capita 3.6p
Church & Co. 9.5p
Collateralised Mortgage Securities No. 12 Class B Mtg. Bkd. Fltg. Rate Nts. 2028 £313.01
Courtaulds Textiles 5.8p
Hewitt 1.5p
Invergordon Distillers 4p
Johnston Press 3.5p
Kleinwort Benson 10.7p
NatWest. Bank Var. Rate Cap. Nts. 2008 $120.38
Nichols (J. N.) Vimto 7.7p
Nippon Express 6% Bds. 1999 Y156897
North Housing Assoc. 8¾% Gtd. Ln. 2037 £4.375
Scholes 1.8p
SKOPBANK-Finnish Savings Banks Assoc. Sers. B Und. Sub. Var. Rate Nts. $121.85
Sumitomo Bank Intl. Fin. NV Gtd. Fltg. Rate Nts. 2000 $109.01
Wates City of Lon. Props. 2.86p
■ TOMORROW
Baltica Hldg. DK8
Bentalls 3.25p
Bergesen D.Y. A NK1
Do. B NV NK1
Boddington 4.25p
Euro-Vip Sec. Var. Rate Nts. 2030 Sers. B $31154.86
First Interstate O'seas NV Gtd. Fltg. Rate Sub. Nts. 1995 $134.17
Low & Bonar 6.4p
Royal Bank of Canada Far East & Pacific Fd. Ptg. Red. Prf. $0.45
Sheffield Insulations 3.6p
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. Sers. 2 $258.58
Takashimaya 5.3% Bds. 1999 Y166250
WSP Hldgs. 1.8p
■ WEDNESDAY MAY 13
Edinburgh Fd. Managers 8p
Fairhaven Intl. $0.04
Gent (S.R.) 0.75p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1994 £129.56
Laporte 12.1p
Natl. & Provincial Bldg. Soc. Fltg. Rate Nts. 1999 £259.73
Ottoman Bank £13
Personal Assets Tst. 0.85p
Royal Bank of Scotland Fltg. Rate Nts. 2005 £129.1
■ THURSDAY MAY 14
Appleyard 5.2p
Assoc. British Ports 4.9p
Assoc. Fisheries 6p
BPP Hldgs. 4.5p
Britannic Assurance 20.3p
Global 0.3p
Itoh (C.) Sers A Fltg. Rate Nts. 1995 Y333169
Do. Sers B Fltg. Rate Nts. 1995 Y338142
Koda Intl. 3p
Lambert Howarth 8.5p
Linread 1.5p
Merivale Moore 1p
Mersey Docks & Harbour 4p
TIP Europe 0.84p
Volvo A SK15.5
Do B SK15.5
Worcester 2.85p
■ FRIDAY MAY 15
Abbott Labs. $0.3
Adwest 1.25p
Alliance Tst. 4½% Deb £2.25
Barclays Bank 8¼% Uns. Cap Ln. 1986/93 £4.125
Do. 16% Uns. Cap. Ln. 2002/07 £8
Cattle's Hldgs. 2.3p
Celestion Inds. 1.2p
Chase Manhattan $0.3
Clifford Foods 7.1p
Do. A NV 7.1p
Colgate-Palmolive $0.285
Commercial Union 14.4p
Convention 9¾% 2008 £4.875
Do 10% 1996 £5
Drive Securities Class A Fltg. Rate Nts. 1996 £260.27
Do. Mezzanine Fltg. Rate Nts. 1996 £279.51
East German Inv. Tst. DM0.05
EBC 4.5p
EFM Income Tst. 1.2p
Evans Halshaw 7.65p
Exchequer 13¼% Ln. 1998 £6.625
Export-Import Bank of Japan 10¼% Gtd. Bds. 2001 £107.5
Fisher (James) 3.5p
Foreign & Colonial Smaller Co's 6% (4.2% net) Prf. £2.1
Forth Ports Authority 3¼% Fnd Debt. £1.875
Glasgow Corp 3½% Irrd. £1.75
Do. Gas 6¾% Ann. Perp. £3.375
Do. Gas 9% Ann. Perp. £4.5
Do Wtr. Anns. Perp. 50p
Do. Wtr. Wks. Fnd. Debt. 3½% £1.75
Do. Wtr. Wks. Fnd. Debt. 4% £2
Hambros Inv. Tst. 5% (3½% net) Prf. 1.75p
Hasbro $0.05
Inter-American Dev. Bank 9¾% Ln. 2015 £4.875
Investors Capital Tst. 4% Deb. Red £2
Kalamazoo 0.525p
Kleinwort Dev. Fd. 2.75p
Lec Refrigeration £10.5
Manchester Utd. 6p
Marsh & McLennan $0.65
NatWest. Bank 11.375p
Natl. Westminster Fin. Jnr. Gtd. Fltg. Rate Nts. $139.03
Nationwide Bldg. Soc. 11¼% Nts. 1995 5.625%
NOVA Corp. of Alberta C$0.05
Rugby 3.6p
Schroder Worldwide Selection Fd. Ptg. Red. Prf. Euro Currency ECU0.31
Do Ptg. Red. Prf. Stlg. 20p
Do Ptg. Red. Prf. Dlr. $0.16
Do Ptg. Red. Prf. Worldwide (U.) $0.37
Do Ptg. Red. Prf. Worldwide Income $0.14
Scottish American Inv. 4% Irrd. Deb £2
Scottish Eastern Inv. Tst. 4% Perp Deb £2
Do 4% Deb. Red. £2
Scottish Mortgage & Tst. 4½% Deb Irrd. £2.25
Second Alliance Tst. 4½% Deb £2.25
Securities Tst. of Scotland 7% Deb 1988/93 £3.5
Sime Darby Berhad M$0.035
Stag Furniture 4p
Thornton Pan-Euro Inv. 1p
Trafford Park Estates 0.85p
TSB Gilt Fd. Ptg. Red. Prf. 2.5p
Victaulic 10p
■ SUNDAY MAY 17
Treasury 9% Ln. 1994 £4.5

PARLIAMENTARY DIARY

TODAY
Commons: Welsh Office, Attorney General and Overseas Development questions. Queen's Speech debate - privatisation.

Lords: Queen's Speech debate - local government, the environment and transport.

TOMORROW
Commons: Health questions. Questions to the Prime Minister. Queen's Speech debate - environment, local government and education.

Lords: Queen's Speech debate - home and social affairs and education.

WEDNESDAY
Commons: Environment questions. Queen's Speech debate - the economy.

Lords: Queen's Speech debate - the economy.

THURSDAY
Commons: Home Office questions. Questions to the Prime Minister. Debate on Ways and Means measures on the Finance Bill.

Lords: Debate on EC Regional Development Policy. Debate on "New Age travellers".

FRIDAY
Commons: Debate on Road Safety.

Lords: Not sitting.

PEOPLE

Pretty moves to Kwik Save

Derek Pretty, 44, who resigned from his position as group finance director of Budgens in January, has turned up in the same position at discounter Kwik Save.

Chief executive Graeme Seabrook says Pretty was "clearly the best candidate" the headhunters produced. Acknowledging that his departure from Budgens was "one of the question marks I had", Seabrook admits he checked him out thoroughly. However, he found that "Derek clearly arrived there after the damage had been done, and did a pretty good job trying to sort it out".

A year into Pretty's Budgens stint, institutions forced out the chief executive, and ushered in another set of managers. Seabrook established that "the new team simply had one finance guy too many".

Pretty's retailing experience, which spans J Sainsbury, Waterstone and Kingfisher, appealed to Kwik Save in its search for a replacement for Simon Moffat who departs for Hillsdown Holdings.

Seabrook describes Pretty's new assignment mainly as "keeping the show on the road. Moffat has spent the last 18 months successfully bedding down the various parts of the job". Before Moffat, Kwik Save did not have a group finance director.

■ Hans Peterson has been appointed a director of INTERNATIONAL SELECT FUND and not of Lazard Fund Managers.
■ Yong Kim is appointed md of HYUNDAI SECURITIES (EUROPE) LTD. Stephen Connelly moves from Merrill Lynch Europe to be its chief financial officer.
■ John Yougman, chairman of Coates Brothers, has been appointed to the board of KLEINWORT CHARTER INVESTMENT TRUST.

Hosking joins CSFB team

For a firm with a reputation for macho style, Credit Suisse First Boston has adopted a laudably incremental approach to assembling a European equity research team.

Perhaps the final piece in the jigsaw is Lisa Hosking, who joins from SG Warburg. She will work with the London team of 16 sector analysts collected over the past three years from such sources as Salomon Brothers, Banque National de Paris and Drexels.

Hosking comes with excellent credentials; she was rated the best international strategist by investors in both the 1991 Extel poll and a recent survey carried out by Institutional Investor magazine.

To these achievements she can now add another first: the first researcher to join CSFB as a managing director. Head of equity research Dan Meade says that he has been trying to hire Hosking for more than two years. This may have been the offer she could not refuse.

But after six years in Warburg's civilised environment, can she fit in with the hard-driving, hard-selling CSFB credo?

An American with a degree in economics from the University of California at Berkeley, she is one of the new breed of mathematical, quantitative strategists. But the lady is no mere technician.

In the words of one colleague: "She has more than enough personality to work with people who are by nature very tough to work with."

Non-executive directors

■ Christine Morin-Postel is now a non-executive director of construction company ALFRED McALPINE in her own right. The general manager of corporate development and international operations of Lyonnaise des Eaux-Dumez and chairman of Lyonnaise UK, had been an "alternate" director for a year, sitting on the board when Dumez chairman Jean-Paul Parayre was away.
■ Sir David Rowe-Ham at WILLIAMS HOLDINGS, from where Michael Montague has retired.
■ Donald McFarlane, deputy chairman of Senior Engineering, at HADLEIGH INDUSTRIES GROUP.
■ William Gardener and Michael Manzoni at EAST WORCESTERSHIRE WATERWORKS on the retirement of Frederick George and Thomas Ringrose.
■ Peter Salsbury, personnel director of Marks and Spencer, at NORWEB.
■ Peter Bickerton, until recently an md of Manufacturers Hanover Trust, at GRESHAM TELECOMPUTING.
■ John Harris, a former director of Midland Bank and Great Universal Stores, at HAEMOCELL.
■ Ian Stewart, chairman of Newell International, at LIONHEART.
■ William Goodall, chairman of the Scapa Group, at The HOPKINSONS GROUP, where it is intended he will become chairman on the retirement of Tom Weatherby in September.

Steeling up on non-execs

The rapid rise of Tony Pedder in the British Steel hierarchy is confirmed by his appointment to the main board at the relatively youthful age of 42. Pedder is one of three younger career steel men promoted to an increasingly elderly boardroom just a few months before Sir Robert Scholey, the 70-year-old chairman, retires.

Pedder, who joined the group in 1971, is the most senior of the three new faces joining the board. He was made managing director of British Steel Stainless in November 1987 and in October 1991 moved to be managing director British Steel Commercial and Distribution.

Harold Homer, the 51-year-old managing director of British Steel General Steels, and John McDowall, the 50-year-old managing director of British Steel Strip Products, have also been promoted to the board. McDowall, a Scotsman, began his steel career at Ravenscraig in 1967, and Yorkshire-born Homer joined the Park Gate Iron and Steel Company in 1957.

Apart from reducing the average age of the 16-strong board, the arrival of the three new executive directors means the boardroom is no longer dominated by non-executive directors.

Nicolas Bowater, a victim of the exigencies of a short-term strategy at his previous employer, has joined the steady Swiss at Credit Suisse Asset Management in the newly created position of marketing director for the private clients division.

Two years ago Bowater, now 49, was with the private client side of Mercury Asset Management. With his boss eight years his junior, he was "a classic headhunter material". He succumbed to the sirens from the Bank of Bermuda, and the opportunity "to put my own stamp and authority on the business". He spent 15 months selling the bank's services from London to non-domiciled clients before it decided it would concentrate its international marketing efforts elsewhere.

"The party moved the goal posts, but I suppose that's life," says Bowater, who has decided he prefers the long-term approach of the Swiss "where tomorrow is the year 2000". Part of his job at CSAM, which manages about £1bn of private client monies, will be simply to increase the company's name recognition, "particularly among professional intermediaries". Buckmaster & Moore (acquired by Credit Suisse) was "very well known on the private client side" but CSAM has lost some of that awareness.

MANAGEMENT

The soaring cost of healthcare insurance is forcing many employers to limit the benefits that are available to their employees. **Richard Lapper** reports

Losing patience with private medicine

The costs of private healthcare are catching up with British companies. *Over* the past 20 years, private *medical* insurance has become an increasingly common – and expected – perk among white collar employees.

But companies are now facing *potentially crippling* increases in costs as premiums struggle to keep pace with rocketing claims payments.

Over the past year, premiums have gone up by an average 20 per cent, with some clients paying up to 40 per cent more.

"The word has got around personnel directors – be very careful what medical benefits you offer," says Eddie O'Hara who works with *the health insurance* division of Willis Corroon, the insurance broker, and looks after 300 corporate clients.

Many companies are looking at ways of cutting down on claims in return for lower premiums. Admin*istration is being* tightened and employees are being asked to share some of the cost of treatment.

Some companies are striking deals with hospitals offering treatment at a *specially negotiated* rate. Above all, employees who benefit from corporate healthcare schemes are being encouraged to think of their private healthcare as supplementing, rather than replacing, the National Health Service.

*About 12 per cent of British peo*ple have private medical health insurance, the majority of them through corporate schemes. Initially made available as an incentive to senior executives during the 1970s, private health provision cascaded *down to the lowliest* white collar grades during the 1980s and in some industries, like pharmaceuticals, is common among blue collar workers.

"It has become almost as common a benefit as paid holidays," says Mike Tiler, who heads a health insurance team at Mercer Fraser, the actuary and employee benefits company.

In corporate schemes, employers pay either the whole or part of the premium or sometimes simply nego*tiate a discount* – generally about 10 per cent – on the price available to individuals. Premium income amounted to more than £1.09bn in 1990 after a decade which saw the number of employees benefiting from health schemes increasing by an average of 5 per cent each year.

But the growth in medical costs has moved up at four times that rate and shows signs of escalating. More expensive, high-tech treatments *are more common and wage* costs have risen.

With interest in health issues rising, employees are much more likely to claim on policies than they were 20 years ago. Tiler says that the increasing range of treatments available has also led to some abuse of the system.

"One pensioner used to spend 10 weeks a year in a psychiatric hospital. She thought it was a holiday."

The government's *health service* reforms have aggravated problems by encouraging general practitioners to refer patients to private healthcare wherever possible, leaving the doctors with more resources free for the treatment of NHS *patients.*

Until recently, healthcare premiums were kept down by the entry of new insurers into the market – such as Norwich Union and Orion, a subsidiary of Nationale Neder*landen – which put* competitive pressure on the established companies – Bupa, PPA and WPA.

This is now beginning to change, following the losses being experienced by market stalwarts and newcomers alike in 1991.

Medical insurance premiums have now grown to 3 per cent of many companies' wage bills. The figure is even higher for some companies which have particularly long-established schemes.

The situation is not yet as bad as *in the US, where medical premiums* make up 18 per cent of the total wage bill of some companies. Indeed, according to one recent survey, US companies rate healthcare costs as one of their biggest concerns

But even at present levels, some UK managers are looking hard at their programmes.

Modifications now being introduced include:

- *The introduction of an excess* – under which employees pay the first £50 or £100 of any treatment. Philip Anderson, marketing director of Bupa, the country's biggest private health insurer calls it the "cold shower effect".
- Better *scheme administration* and the introduction of central controls. According to O'Hara, companies sometimes need to find out exactly which employees have access to which benefit. "In some cases with companies which have several *locations* around the country, employers simply don't know what the claims record is."
- Vetting of claims by senior managers.
- Closer monitoring of the cost of surgery or hospital stays. Mercer *Fraser* and other advisers carry out "medical audits" – adjusting and costing claims so that they relate the real work done.
- Preferred hospital arrangements, by which scheme managers negotiate reduced *prices* for the bulk purchase of administration and accommodation with private or NHS hospitals, are *becoming increasingly* common, says Anderson.
- Persuading employees to use NHS facilities wherever possible with schemes making payments to *beneficiaries* for each night they spend in an NHS hospital, for example.

Willis provides a counselling service to advise scheme members whether to opt for private or public treatment. "If for example they want their wisdom teeth out but are not in any pain, we suggest they *wait to* have it done on the NHS, even if they have to wait for the treatment for a couple of months."

The scope to tackle one of the biggest problems – the liabilities of company health schemes to retired employees – is limited.

Almost all schemes now exclude cover for employees once they have retired but some employers – among them some UK clearing banks – have accumulated future *liabilities.*

Premiums paid into schemes by the beneficiaries have almost all been spent in paying actual claims. There is little left over to fund future care, the cost of which is growing exponentially.

Employers have bought out some executives by paying them benefits *now in exchange for their giving up* future entitlement to private healthcare cover in the future.

But Tiler warns that in some cases, the liabilities "could wreck a company".

"Its a massive issue which people are only *just beginning to tackle.* It will call for some creative thinking," adds O'Hara.

A little extra self-help at the Halifax

John Teasdale, who manages a corporate health programme for *Halifax* Building Society, says his company introduced a number of changes following a 30 per cent increase in premiums last year.

Halifax, which employs more than 24,000 people, is typical of the white collar employers who have begun to offer healthcare in *the last 20 years.*

The company's scheme which offers Bupa care to employees and a discounted rate to spouses and dependents began in 1980. Last year's increase "forced us to look closely at what we were *doing*," says Teasdale.

Halifax introduced "excesses", making their staff liable for the first £50 of any claim. The company also took action to change the attitudes of its staff towards *the scheme.*

"We found that people regarded the scheme as an alternative to the National Health Service.

But the society sees the scheme as complementary. We had to *make sure that they understood* a claim on the scheme was a claim on the society, says Teasdale."

Halifax is having claims forms reprinted to show the its logo to press home the point.

The measures had an immediate impact, and Bupa increased its premiums by only 5 per cent at the 1992 renewal. "That speaks for itself," says Teasdale, who adds that charging has limited use of the service by employees suffering, *for example, sports injuries.*

Halifax has also taken more measures to save costs. It encourages Halifax-based employees to use the local Bupa-Elland hospital, with which it has negotiated discounts, rather than others in the locality.

In the very best of company

The largest European employers are a virtuous lot – or at least they claim to be. More than 90 per cent have equal opportunities policies, almost that number sponsor cultural or sporting events, and more than 60 per cent say they have carried out environmental audits.

These are the latest findings of a survey* from the Henley Centre for Forecasting which has questioned the top 500 employers across sectors in the European Community about their employment practices.

A surprising 32 per cent of organisations – half in the public sector – claim to have a woman on the board or in a similar top function. Job sharing is offered by 48 per cent, career breaks by 59 per cent and maternity leave beyond legal requirements by 40 per cent.

However, the Henley researchers say the *survey* shows that women's careers remain hampered by lack of childcare: on-site childcare is provided by 9 per cent of companies and an additional 16 per cent have off-site provision. Dissatisfaction with *employers'* childcare facilities is high, particularly in countries with a relatively weak family structure, such as the UK, France and Germany.

On training and *education, 87 per cent of employers* say they have *formal* management development programmes and 85 per cent subsidise employees' studies. Meanwhile, 66 per cent offer retraining programmes and 42 per cent offer extended study leave.

Henley notes the increasing *effort that organisations are having* to make to impress consumers with their green credentials and social awareness. The proportion of EC manufacturing companies which have carried out environmental checks on their activities, or *intended to carry out such audits,* is nearly 70 per cent.

Overall, Henley considers the survey results give a positive impression of employment practices and conditions in Europe's largest companies. However, with*out increases* in *childcare* provision, there is likely to be little growth in the numbers of women achieving executive and managerial grades, the report concludes.

Diane Summers

**Contact Eric Salama, Henley Centre, 2 Tudor St, London EC4Y 0AA.*

ARTS

Music in 12 Parts

Halfway through Thursday evening in the Festival Hall, I decided that 6 would be enough. Philip Glass and his loyal team were playing the complete dozen, his Late Minimalist *magnum opus* of 1971-74: from 7 o'clock to 11.30 as originally announced, but emended on the spot to 11.45 and by my reckoning, unlikely to finish much before midnight. Though the large audience looked like real devotees, I suspect that they began to slip away soon after I did.

For younger readers, I should explain what Minimalism was. In postwar Europe, in the wake of Schoenberg and Webern, a whole generation of composers became convinced that if their music did not strike "conventional" audiences as a-thematic and a-rhythmic, they must be trading indecently upon outworn expressive routines. As they bore that thought in mind, their audiences dwindled to a knowledgeable few. Later, the American Minimalists (Terry Riley first of all, then Steve Reich and Glass etc) hit upon a different and less rebarbative way of shucking off the past.

It struck them that sour European dissonances were unnecessary. Instead you could recycle the simplest and most reassuringly familiar routines as long as you flattened them into plain, inexpressive elements. Your new claim on listeners' attention would lie in the new patterns you made with them: slow, almost subliminal shifts of tonal focus and rhythmic basis, as you let your component lines go out of step, and also the audible *moiré* effects – quite new in music, and rich in potential – as the different levels separated off.

For Terry Riley, that was only one line of untrammelled experiment among many; for Reich it is one that has drawn him into clever, close-focus explorations. Glass is harder to classify. His earlier music exploited the new possibilities hard, with a lot of fluent linear invention that gleamed brightly (when rigorously played, and well transmitted). *Music in 12 Parts* had a broader aim: to sustain a marathon live-performance span, as it was suddenly fashionable to do in the early 1970s – commonly lubricated by a lot of dope.

At the first interval it was deeply nostalgic to detect a sharp whiff of that in the Festival Hall foyer. In a relaxed, meditative frame of mind one can let one's thoughts wander as Glass's music winds on, and still register the big, glacial shifts when they make themselves felt. In plain practical terms, however, the South Bank performance failed the composer. Whether his linear knack or (less confidently) his harmonic lurches were meant to keep things going, the sound-reproduction in the hall sold him short.

Instead, what we heard over certain of the amplified channels had a flat, ugly glare without depth, and around most of the soprano notes (from the super-reliable Lisa Carol Bielawa) there was a percussive surrounding crackle: not hi-tech at all, and eventually numbing to the ear – which was why I gave up early. If the price of hearing an expansive Glass concert is deafness for the next few concerts, it is too high.

David Murray

Music/Andrew Clements

Tippett's Fifth Quartet

The Lindsay Quartet's recital on Saturday was originally planned to launch the Sheffield Chamber Music Festival for 1992. But the group's leader Peter Cropper was taken seriously ill several months ago, and the bulk of the festival (focusing on British works) has had to be postponed until next year. Happily, though, Cropper's recovery allowed the first concert at least to take place, and with it the first performance of Michael Tippett's Fifth Quartet, commissioned by the Lindsay for the occasion.

The whole programme had been shaped around the premiere. It was introduced by a *Fanfare to welcome Sir Michael Tippett* by Christopher Brown, 87 bars woven out of Tippettian fragments and quotations from Purcell, together with three of Purcell's string fantasias, played with exquisite poise and intensity. Then there were two fascinating revivals of quartets by Tippett's teachers at the Royal College of Music during the 1930s – R. O. Morris's three *Canzoni ricertati* were dry, over long exercises in imitative counterpoint (Tippett observed after the performance that perhaps he should have given Morris some lessons) but Charles Wood's Third String Quartet was a likeable piece of late romanticism, with firm feet in the quartet language of Brahms and Dvorak, and a sweet tooth for morsels of Irish folk song.

The Lindsay played both magnificently, with a confidence and grasp of idiom remarkable for works so far outside the regular repertory. Their playing of the Tippett too was astonishingly assured; its considerable problems of balance and co-ordination seemed perfectly mastered. The new quartet is cast in two movements, the first a sonata-form mosaic of fast and lyrical sections, the second a slow meditation interrupted by fantasia-like dances.

★

There are thematic links with Tippett's major scores of the 1980s – Geraint Lewis's programme note pointed out connections with material from *The Mask of Time* and *New Year* – but its roots seem to stretch back much farther into Tippett's writing for strings. The first movement seemed the less convincing of the two, short on distinctive ideas and perhaps over-extending its material. But in the second the juxtaposition of rapt untethered lyricism in the first violin's high-lying, unaccompanied rhapsodies with the crystalline rhythmic shapes of the Purcell-inspired dances conjures up memories of Tippett's Corelli Fantasia from the mid-1950s, if without ever quite attaining that work's level of profoundity or transcendency.

On repeated hearings too the first movement may well gain more coherence and identity. As Tippett's debt to Beethoven in his quartet writing becomes ever clearer (the second movement here is based on the great Adagio of Op. 132) so the full implications of his abstract designs become more elusive. The seemingly innocuous intent of many of the components should not be taken at face value. His dramatic writing has become more increasingly emblematic; perhaps his instrumental writing has acquired the powers of suggestion and ambiguity lacking there.

Crucible Studio Theatre, Sheffield; sponsored by Kershaw Tudor. Repeat performance on 23 May

Opera/Andrew Clements

Zaide

Zaide is not really an opera by Mozart at all, finished or unfinished, but the title bestowed by a Viennese publisher on the collection of 15 numbers written to texts by Johann Andreas Schachtner in Salzburg in 1779-80. There is no surviving dialogue or scenario to connect up Mozart's sequence of arias and ensembles, and attempts to associate the two-act plan with any pre-existing *Singspiel* plots set like *Zaide* in a Turkish harem have all failed. It remains an intriguing torso with decent though largely unremarkable music. The two short melodramas are the most interesting feature of the score, suggesting Mozart may have been trying them out as an alternative to dialogue or recitative and perhaps that he abandoned the project because he was dissatisfied with the result.

★

The new City of Birmingham Touring Opera *Zaide*, directed by Graham Vick, is being given in the version that the late Italo Calvino made for the Musica nel'Chiostro Festival at Batignano in 1981. The set pieces are delivered in their original German, and around them a modern-day narrator (using William Weaver's limpid English translation) elaborates a plot, setting up the characters, and leading them along the story line implied by the original texts. Only then does Calvino begin to tease and pick at the threads of the narrative, opening out its possibilities. The action is stopped, reversed and run through again from a new perspective, finding the right dramatic context for each number, until there is a maze of pathways and the final quartet can settle in its own comfortable niche.

Vick directed the Batignano premiere (which was brought to the Old Vic for three performances later the same year). His new staging is played out on a single set by Paul Brown which faithfully reproduces the clutter of the narrator's shabby room. It is unfussy without extraneous detail; everything is focused upon Calvino's dramatic framing and sleights of hand, and the scrupulous presentation of Mozart's music. That is conducted by Simon Halsey with a period band, and could have been delivered with more energy and panache. The singing, though, is generally first-rate: Jane Leslie Mackenzie seizes upon Zaide's arias with clean, confident attack; Iain Paton is forthright in the music for Gomatz. There is a suitably blustering Soliman from Anthony Roden, eye-rolling Osmin from Peter Snipp, and cloudy-toned Allazim from Mark Holland.

Janet Leslie Mackenzie (Zaide), Mark Holland (Allazim) and James Maxwell (Narrator)

James Maxwell is the narrator, a sorcerer's apprentice who only just keeps control of his creations; he makes the most of the moments when Calvino's text takes flight and evokes the orientalism of the harem in luminous imagery. Then this *Zaide* seems most perfectly poised between the enigmatic classicism of Mozart's fragment and the delicate labyrinths of this most elegant of 20th-century writers.

Colmers Farm Leisure Centre, Birmingham; on tour until 30 May

Theatre/Andrew St George

The Hypochondriacs

Plato's Cratylus knew that far from being able to step into the same river twice, one could not step into the same river once. He eventually settled on moving his finger in response to everything. A measure of Cratylus's view is essential for enjoying Botho Strauss's *The Hypochondriacs* at the Citizens Theatre, Glasgow. Without it, the evening becomes frustrating and pointless: intellectually vibrant but theatrically dull.

Strauss's expressionist play relies on the notion that anything can mean anything: time becomes elastic, and lives have purpose only in relation to others. Strauss wrote the play when he was 26; it belies its 1972 premiere, seeming much more from the 1930s. The play marries magic realism to a form of implacable logic, a meeting of Gunter Grass and Wittgenstein.

As explanation for its method, the play offers this: "an apparently free and planlessly spent life is only a prelude to the moment when you realise it." The plot flickers in and out of prominence, undermined by characters unsure of themselves: "What exactly are we talking about?" – "I don't know, I was just reacting." However, a sequence of events emerges, and the action occurs in turn-of-the-century Germany, just before psychoanalysis would have made it all explicable.

Vladimir, an incurable hypochondriac, lives with his lover Nelly. She has been bailed on a murder charge by two dodgy pharmaceutical entrepreneurs after a cure for tuberculosis. Around them, Vladimir's mother, father and maid weave a sinister intrigue worthy of Len Deighton in *Ipcress File* form.

Vladimir's diseased and decadent intelligence is met by Nelly's cool hysteria and the extraordinary venom of his Mother. Each has a litany of non-verbal gestures, mimes, grunts and statements which are variously interpreted by those around them. One does not need to be a student of Saussure to realise that collective communication is under threat where meaning itself is random. People agree not in what they say, but in the form of their life.

The play's consistencies come from an awkward faith in personality. Anything a character does is consistent, so the unexpected simply disappears. This drains the evening of dramatic tension; for where anything can happen, nothing can surprise.

The pleasures of Strauss's play are more arcane: he invites a theatrical daydreaming; he urges thinking about thinking, so one finds that this really does provoke thought. The set answers the disjunctions of the text; sofas on lime chippings surround a fish tank. "All the things around us," one character confides, "we observe at the same time as we bring them about"; so the actors move the furniture obsessively, repositioning the stage impedimenta.

The acting is detached and precise, with fine performances from Julie Saunders as Nelly and Gerrard McArthur as Vladimir and his father. David Fielding's direction slows the play to a crawl, but then he has been faced with the task of staging an attitude of mind.

Citizens Theatre, Glasgow, until May 23 (041 429 0022)

Sponsorship/Antony Thorncroft

Joint efforts save the day

No one can accuse the Association for Business Sponsorship of the Arts (ABSA) of not giving a lead as arts organisations struggle to find sponsors in a cold climate. ABSA, which was formed to promote the benefits of sponsorship, has quickly found a new backer for its most prestigious event, the annual awards ceremony for imaginative arts sponsorships.

For well over a decade *The Daily Telegraph* provided the £28,000 plus funding. It has called it a day, but Arthur Andersen has stepped into the breach. ABSA's other big social occasion, the Goodman-Garrett dinner, where individuals receive prizes, is to be sponsored, for the first time, by Reed International. Each of the two recipients will get £10,000, but are honour bound to hand the money over to an arts organisation of their choice.

★

Despite the efforts of ABSA many major corporate sponsors are cutting back on their commitments this year. This is because they give a fixed percentage of their profits to good causes and their profits have been reduced. But ABSA's Colin Tweedy is adamant that total sponsorship will rise in 1992, thanks to the involvement of new sponsors among small and medium sized companies.

Support for his theory comes from Blackheath Concert Halls in south east London, which sees no falling away in its corporate funding. But changing times demand changing approaches and it hit on a happy solution to the sponsorship of its ambitious four day Schubertiade last week. It was underwritten by three professional firms: Drivers Jonas, the chartered surveyors; Grant Thornton, the accountants; and Turner Kenneth Brown, the solicitors.

This not only reduced the cost – to £7,500 from each firm – but could actually benefit clients (as well as sponsors). In the social gatherings around the song cycles a corporate guest of, say, Drivers Jonas, who is in the market for a new solicitor or a new accountant, could be introduced to plenty of them. And so it went on. Joint sponsorship often fails because the companies sharing the bill have nothing in common. Here there was mutual self-interest, and the chance to meet potential new clients, as well as keep happy existing ones.

★

Joint sponsorship deals are also attracting large companies. The cost of backing a new opera production at Covent Garden can be £150,000. Not surprisingly there are few takers. Even when the opera houses accept a much lower sum for a sponsorship deal – BMW is reputed to have secured ENO's revival of *Street Scene* for around £30,000 – it can still seem an unacceptably large investment.

Shell, with an arts sponsorship budget of around £450,000, is investigating alternatives. It is talking with Opera North about a touring production next year in which Shell will act as the main sponsor, putting up perhaps £50,000, while smaller companies take on the local sponsorship for £10,000 or so when Opera North performs in their cities.

Such a deal could draw in new sponsors who would be guided by Shell into what is possible from the connection. Any interested companies on the Opera North touring circuit should contact Shell.

★

More groups of sponsors could be spotted at the Birmingham Symphony Hall last month for the first UK visit by the orchestra of La Scala, Milan. For once they were non-paying guests. The evening had a sponsor – British Gas – but the other clutches of businessmen were the major backers of "Sounds Like Birmingham", the biggest music festival ever held in the UK. It was one of three gala evenings that they received as a sweetener for putting up over £20,000 each for the year long binge.

"Sounds Like Birmingham" quickly hit its sponsorship target of £150,000, suggesting that it is only the run-of-the-mill arts events that are finding it hard to find sponsors. The specials secure backing. Most of the names were locally familiar – Cadbury, BT, Ansells, Cooper Lybrand, the Grand Hotel – but included Arcadian, builders of a new shopping mall in the city.

A disappointment was the failure to attract smaller local businessmen, especially Asian, to the project, but the big companies showed imagination. Cadbury is supporting ten groups of musicians, ranging from jazz through bhangra to early music – which perform each week in venues like supermarkets; BT is backing a world music festival; while Birmingham International Airport has commissioned a "sound sculpture" for its departure hall.

★

More sponsored sculpture – this time in Paris, in the Bagatelle, a dream-like English garden tucked away in the Bois de Boulogne. On June 11 the Queen will open a major Henry Moore exhibition of 27 large bronzes. Given the cost and complexity of transporting such works, some weighing up to seven tons, this could be the last time such a major exhibition travels overseas.

Half the £300,000 plus bill is being picked up by the Henry Moore Foundation and the British Council, but £170,000 comes from a nicely Anglo-French bunch of sponsors, led by the Compagnie Générale des Eaux, but including Shell France, British Steel and British Airways. One intriguing backer, with £40,000, is GEC Alsthom. GEC is notoriously stingy on sponsorship in the UK but has been convinced by its French subsidiary, which it half owns, that this commitment to European co-operation will go down well in France.

★

Despite half hearted efforts by the Government through minimal tax benefits, and a strong personal lead given by Lord Palumbo, chairman of the Arts Council, private patronage of the arts in the UK remains at an abysmally low level. But the Hattori family of Japan has come up with £300,000 to underwrite the Folkestone Menuhin International Violin Competition. The money will be spread over the next three biennial competitions, starting in March 1993.

A stipulation in the funding is that the competition should remain based in Folkestone. The Hattori's have a vested interest in the Folkestone competition maintaining its reputation. A 1989 winner was Joji Hattori.

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BARCELONA

Gran Teatre del Liceu 21.00 Uwe Mund conducts a symphonic programme with the Orchestra of the Liceu, repeated tomorrow (412 1468).
Palau de la Musica 21.00 Chick Corea Elektric Band. Tomorrow: Warsaw Soloists play baroque concertos. Fri: Riccardo Muti conducts the Philadelphia Orchestra (268 1000)

■ BERLIN

MUSIC
Schauspielhaus 20.00 Antoni Ros Marba conducts the Berlin Symphony Orchestra in works by Haydn, Debussy and Richard Strauss. Tomorrow: Claus Peter Flor conducts Poulenc and Fauré. Fri: Milan Horvat conducts new work by Boris Blacher. Sat and Sun: Yuri Simonov conducts the BSO (East Berlin 2090 2156)
Deutsche Oper 19.30 Carlo Rizzi conducts Jerome Savary's new production of L'Italiana in Algeri, also Thurs. Wed: Madama Butterfly. Fri: Tosca. Sat: Roland Petit ballet evening. Sun: Le nozze di Figaro (West Berlin 3410 249)
Staatsoper unter den Linden 19.00 Egon Bischoff's production of Swan Lake, also Wed. Tomorrow: Madama Butterfly. Thurs: Die Fledermaus. Fri: Il barbiere di Siviglia. Sat: Les Contes d'Hoffmann. Sun: John Cranko's ballet The Taming of the Shrew (East Berlin 2004 762)
Komische Oper 19.00 Johann Strauss' operetta Eine Nacht in Venedig. Tomorrow and Thurs: Rigoletto. Wed: Menotti's opera The Old Maid and the Thief. Fri: Entführung. Sat: Giustino. Sun: Cav and Pag (East Berlin 2292 555)
THEATRE
The Schiller Theater this week stages the German premiere of Hase Hase, a family drama by the French author Coline Serreau. Benno Besson, once a familiar face at the Volksbühne and the Berliner Ensemble but absent from Berlin for the past 15 years, returns to direct (preview tomorrow, opening night Thurs, West Berlin 3126 505).
The Maxim Gorki Theater has a revival of Die Unbekannte aus der Seine, a parody of the petit-bourgeois mentality by the early 20th century German dramatist Odon von Horvath (first night Wed, East Berlin 2082 783).
Berlin's annual German-language drama festival, the Theatertreffen, opens at the weekend with Büchner's Woyzeck directed by Andreas Kriegenburg and Hans Barlach's play Der blaue Boll, in a production from Munich directed by the late Hans Lietzau (more information from Festival Office, West Berlin 254890).

■ BOLOGNA

Teatro Communale 21.00 Riccardo Chailly conducts the Orchestra of the Teatro Communale in a Vivaldi programme (529999)

■ BRUSSELS

Palais des Beaux Arts 20.00 Stephen Prutsman plays Bach's Well-Tempered Clavier Book 2. Tomorrow and Wed: Antwerp Chamber Opera in Rossini's L'inganno felice (507 8200)

■ FRANKFURT

Alte Oper 20.00 Yuri Ahronovich conducts the Frankfurt Opera Orchestra in Carmina Burana and Schoenberg's Violin Concerto (Viktoria Mullova). Tomorrow: Jethro Tull. Wed: Santana in concert. Thurs: Ken Hill's version of The Phantom of the Opera. Sat: Alfred Brendel. Sun: Hermann Prey (1340 400)

■ GENEVA

Grand Théâtre 20.00 Jeffrey Tate conducts first night of Kurt Josef Schildknecht's new production of Weill's Mahagonny, with Anne Howells, Marie McLaughlin and Warren Ellsworth. Runs till May 23, with next performances on Wed, Fri and Sun (311 2311). Tomorrow in Victoria Hall: Walter Weller conducts the Orchestre de la Suisse Romande (311 2511). Thurs and Sat in Plainpalais: Ballet du Grand Théâtre in Ohad Naharin's Perpetuum (311 2311)

■ LONDON

Royal Festival Hall 19.30 Andrew Davis conducts the BBC Symphony Orchestra in premiere of Philip Grange's new work Focus and Fade, plus Schumann's Piano Concerto (Imogen Cooper) and Bartok's Concerto for Orchestra. Tomorrow: Novosibirsk Philharmonic Orchestra. Wed: Paco Pena. Thurs: Ashkenazy conducts Messiaen. Fri: Diamanda Galas blues evening (071-928 8800)
Queen Elizabeth Hall 19.45 Dmitry Sitkovetsky, accompanied by Bella Davidovich, plays violin sonatas by Mozart, Prokofiev, Grieg and Ravel. Tomorrow: Monteverdi's Poppea. Thurs: premiere of James MacMillan's Sinfonietta. Sun: Rosalind Plowright (071-928 8800)
Barbican 19.45 Ivan Fischer conducts the Hague Philharmonic Orchestra in works by Mozart and Mahler, with Elly Ameling soprano soloist. Fri: Gianluigi Gelmetti conducts the BBCSO (071-638 8891)

■ MILAN

Teatro alla Scala 20.00 Song recital by Peter Schreier. Tues to Sun: Lucia di Lammermoor (7200 3744)

■ PARIS

Grand Auditorium de Radio France 20.30 Alain Guingal conducts a concert performance of Manon, with Leontina Vaduva (4230 3630)
Opéra Bastille 19.30 Final performance of Roman Polanski's staging of Les Contes d'Hoffmann. Wed and Sat: Elektra with Gwyneth Jones (4001 1616)
Châtelet 19.00 Lawrence Foster conducts the Ensemble InterContemporain in works by Barbara Kolb, Ralph Shapey, Copland and Ives. Tomorrow: Anne Sofie von Otter. Wed: Tokyo Quartet (4028 2840)
● Other events this week include a Mozart concert conducted by Jerzy Semkov tomorrow at the Salle Pleyel (4561 0630), a double bill of new choreographies by Odile Duboc and Daniel Larrieu at the Palais Garnier, daily from Wed to Sun (4017 3535), a concert by the Orchestre National de France conducted by James Conlon at the Théâtre des Champs-Elysées on Thurs (4720 3637), recitals by the Takacs Quartet at the Théâtre de la Ville on Fri and Sat (4274 2277) and a song recital by Jessye Norman at the Salle Pleyel on Sat (4563 0796). The Opéra Comique opens a Johann Strauss festival on Wed with Der Zigeunerbaron, running daily except Mon till May 23 (4286 8883).

■ VIENNA

THEATRE
The opening production of the Vienna Festival (586 1676) is a new play by Peter Handke, directed by Claus Peymann at the Theater an der Wien (daily till Thurs). At the Messepalast, Théâtre Repère from Quebec presents an English-language production of Polygraph, a thriller about murder and love by Marie Brassard and Robert Lepage (daily till Thurs).
Starting on Thurs at the Remise auditorium, the Serapion Ensemble presents an eight-day run of Guernica, Fernando Arrabal's theatre piece about the aftermath of the Basque city's destruction. The repertory at the Akademietheater (51444 2218) includes a new play by Tankred Dorst, opening on Fri. Vienna's English Theatre (Josefsgasse 12, 402 1260) has Athol Fugard's play My Childen! My Africa! daily except Sun.
MUSIC
Staatsoper 19.30 Prokofiev's ballet Romeo and Juliet. Tomorrow: Il barbiere di Siviglia. Wed: Tosca. Thurs: La traviata. Fri: Der Rosenkavalier with Kiri te Kanawa. Sat: new production of Tchaikovsky's Queen of Spades. Sun: Tannhäuser (51444 2960).
Volksoper 19.00 Johann Strauss' operetta Eine Nacht in Venedig. Tomorrow: Prokofiev's ballet Cinderella. Wed: Der Freischütz. Thurs: Das Land des Lachelns. Fri: Wiener Blut (51444 3318)
Kammeroper 20.00 New production of Shostakovich's The Nose. Runs till June 13, with next performances on Wed and Sat (513 6072)
Musikverein This week's events include a song recital by Christa Ludwig tomorrow and a piano recital by Maurizio Pollini on Wed (505 8190)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Monday May 11 1992

Earth Summit gets earthy

THE IMMINENCE of the Earth Summit in Rio de Janeiro, now only three weeks away, is beginning to focus political minds, though as in all gatherings of this kind, the preparatory process is degenerating into last-minute horse-trading rather than promoting well-considered harmony. The question is whether the resulting compromises will damage Rio's prospects, or save it from the shambles which many people fear it could become.

Recent days have brought some progress on two important fronts. The conclusion over the weekend of a draft treaty on measures to protect the world climate should pave the way for action on greenhouse gases, one of the most serious environmental threats now facing the world. Similarly, the agreement by members of the World Bank to beef up the Global Environmental Facility (GEF) – a special fund to help developing countries protect the environment – provides the basis for the financial commitments which should be one of the key results of Rio.

There is an unmistakable air of political compromise over the climate treaty. The original intention to bind the signatories to reducing their greenhouse gas emissions to 1990 levels by the year 2000 has been watered down to a statement that such an aim would represent "an appropriate signal". This is a disappointing retreat for a document that will be central to the Rio agenda. It also marks the failure of the industrial countries to persuade the US to drop its opposition to specific emission reduction deadlines, and thereby their inability to put up a united front at the summit. This will tarnish the example they hoped to set there to win the support of the rest of the world for action to clean up the environment. However, the alternative – risking a boycott by President Bush – would have been even more damaging.

Full representation

It is essential to the success of the already fragile Rio agenda that the world's largest polluter, and its largest provider of financial resources, should be fully represented there.

There will be widespread disappointment, particularly in the Third World, over the decision to revamp the GEF as a Rio vehicle because of its link with the rich country-dominated World Bank. But other options, notably the new Green Fund proposed by many developing countries, would merely add to the proliferation of international agencies and waste the experience acquired by the GEF. The accusation of exclusivity frequently levelled at the GEF is to be countered by throwing it open to universal membership.

Unrealistic expectations

Yet to be resolved is the question of how much money should be committed to the GEF at Rio. Unfortunately, the Rio secretariat has raised expectations to unrealistic levels by referring to the $100bn and more that will be needed each year to fund a Third World clean-up. Actual commitments are likely to be only a tiny fraction of that sum. Moreover, it is important that the various agreements that do come out of Rio ensure that green aid is properly targeted and not swallowed up by an ineffective aid machine.

The task of the Rio organisers in the few weeks that remain is to ensure that the world develops realistic expectations for the event. Although there is undoubtedly mounting global concern for the environment, the preparatory process has exposed deep divisions about the nature of the threat and the remedies required – between rich and poor countries, green lobbies and industry, and even among the industrial countries. It would be wrong to expect Rio to produce hard and fast solutions; positions among participants are too far apart for that. It may not even produce large sums of money. But it is beginning to acquire some momentum. Its success may have to be measured principally in terms of the political commitments which are made there and the strength of the machinery which it creates to hold participants to their pledges.

Only a week ago, there was a danger that Rio would convene with nothing on the table. That will not now be the case; the next fortnight may even produce a second treaty. The task ahead is huge, and at least this is a start.

Reform of the pension funds

THE MAXWELL scandals have left millions of members of occupational pension schemes wondering just how safe their pensions are, and many thousands facing actual poverty. It was a theme which dominated the annual conference of the National Association of Pension Funds last week.

Battles may lie ahead. A survey by the 100 Group of finance directors suggested that companies will fight for the right to continue to claw back at least part of scheme surpluses for their benefit.

Some would say that it is time to draw up a radical agenda. Already the role of occupational schemes has shrunk: NAPF member schemes cover no more than 7m employees, against the more than 4m who have started personal pension plans within the past few years. Now that scheme membership is voluntary many pensions managers are disappointed in their ability to attract the support of new recruits.

Perhaps the fraudulent disappearance of money will prove a very rare phenomenon (though the Maxwell case is unique only in its size) but millions of scheme members regularly, if undramatically, lose through poor transfer values and the reluctance to protect benefits against inflation. Indeed, the current phenomena of scheme surpluses and widespread company contribution holidays can be said to relate very largely to the failure to maintain benefits in real terms. Many employees might be better off with low-cost company-sponsored personal pension plans which could be transferred from one job to another.

Deep pool

But the well-entrenched network of occupational schemes should not be dismantled lightly. With some £300bn of assets they represent an enormous and stable pool of long-term savings, the envy of some countries which are overdependent on save-as-you-go pensions systems threatened by adverse demographic trends.

Nevertheless, it is right that the state should intervene to draw up some tighter rules. Occupational pension schemes are not simply exercises in corporate charity and paternalism, they are aspects of employee benefit strategy which exploit generous tax reliefs. In exchange, the government is entitled to be confident that, at the very least, it will not be faced with huge compensation demands. More generally, it needs to be confident that schemes are run fairly.

A first priority is to provide for the safe custody of funds. Some kind of insurance or compensation scheme must also be developed in case things still go wrong. These may prove costly measures, but they cannot now be avoided.

Trustees' powers

Second, pension fund trustees must be given broader powers and responsibilities to ensure fair treatment of beneficiaries. At present, they can do little more than apply often inequitable rules laid down by the employers. Already the government has been forced to legislate to ensure fairer transfer terms and protection against inflation, but more is required.

Third, there is the controversial matter of the ownership of so-called surpluses. These have arisen basically because during the 1980s dividends rose faster than employee earnings, but this is no longer true. During the 1970s, many schemes actually went into substantial deficit, and companies argue that if they are expected to top schemes up in hard times they must also be permitted to benefit at least indirectly from surpluses when they occur, otherwise schemes will be allowed to become chronically underfunded. However, it might be possible to approach this problem by laying down minimum funding standards, which will in any case be required if scheme benefits are to be insured.

By moving carefully in these directions it ought to be possible to preserve the bulk of the occupational pensions sector while improving the security of members. The balance of advantage must to some degree shift from final salary schemes towards money purchase arrangements which impose an extra investment risk upon the scheme members but avoid the problems of surpluses and inequitable distribution of benefits. They are, indeed, only one step removed from personal plans. Events have made fundamental reform inevitable.

The US is striving to find a sensible balance between economic progress and environmentalism, writes **Martin Dickson**

Competing claims of man and nature

When Larry Mason tore up his suburban roots back east and set out for the vast green forests of America's Pacific shore, he was following an imperative as old as US history: go west, tame the land, and make your fortune.

And Mr Mason did just that, in a modest way: he set up in business as a sawmill owner in the remote little logging community of Forks, a scruffy scattering of bungalows and mobile homes amid the wooded mountain slopes of Washington state's Olympic Peninsula.

Over 20 years, Mr Mason, whose luxuriant moustache, coarse-cut beard and beady eyes give him a passing resemblance to a 19th-century pioneer, built up a company with annual sales of $3m, employing 40 people.

But today the sawmill is shuttered and Mr Mason's life is in ruins, casualties of a new and very different American national imperative: to save the continent's remaining flora and fauna, which are increasingly endangered by economic development.

Mr Mason's particular nemesis is *Strix occidentalis caurina*, alias the Northern Spotted Owl, a shy, retiring bird that inhabits what remains of the ancient forests which used to blanket the coastal north-west.

The Northern Spotted Owl was declared a threatened species by the US Fish and Wildlife Service in July 1990 and this, coupled with a tangle of legal cases over its protection, has brought logging to a halt in the vast tracts of western forest owned by the federal government.

The result: a sharp reduction in western timber production; national lumber prices at record levels; ruin for the Larry Masons in dozens of rural communities from California up to Washington; and a triumphant environmental movement.

The human cost of protecting man's feathered friend is all too visible in Forks, which lies a three-and-a-half hour drive east of Seattle beyond the serenely beautiful Olympic National Park. Unemployment, marital strife and children's behavioural problems have risen sharply in past few years, while house prices have plummeted to 1978 levels. "The environmentalists," says Mrs Patty Vaughan, a local teacher, "have destroyed many people's lives."

There is also a psychological price. Lumberjacks used to be regarded as the archetypal American macho male heroes. Suddenly, says Mr Mason, who now runs a local timber lobbying group, "they're being told by the press they're forest rapers, one step above child molesters".

Industrial decline is always painful, but what makes the Pacific timber workers particularly angry is the fact that they are casualties not of broad, comprehensible economic forces beyond anyone's control, but of strict US environmental legislation, which implicitly favours plants, animals and fish ahead of human endeavour.

The protection of the Spotted Owl is by far the most sweeping application yet of this legislation, and the case has sparked off a national furore over how to strike a sensible balance between economic progress and environmentalism.

This will reach a new pitch next week when Mr Manuel Lujan, the US interior secretary, publishes two rival proposals for owl conservation, one of them preserving timber jobs at the expense of owl habitat.

With so many developed countries grappling with similar issues, the debate has universal lessons. So too does the fact that the owl controversy is fuelling a nascent backlash among US consumers and corporations against what critics of the environmental movement say is its uncompromising idealism.

Or, as an embittered Larry Mason puts it: "Those guys are out of their minds. They think the government can shoot the cow and still get the milk."

The battle has its origins in 1973 when Congress, in a fit of environmental penitence, passed the Endangered Species Act. This obliges the federal government to monitor the nation's wildlife and maintain lists of species deemed to be "threatened" or, more seriously, "endangered" with extinction.

More than 600 species and sub-species have been listed since then by government agencies, including such exotica as the Puritan Tiger Beetle and the Oregon Silverspot butterfly and the (now extinct) Dusky Seaside Sparrow.

In each case, the government is obliged to designate "critical habitats" vital for the creature's conservation and produce plans to help its numbers recover. Many environmentalists believe the legislation is a model for the rest of the world.

However, the law excludes any consideration of economic factors (other than a little-used appeal mechanism which permits a team of federal government ministers – known as the "god committee" because of its power of life and death – to exempt specific projects). This fact was brought home forcefully in the late 1970s, in the celebrated case of the Tennessee snail darter, a three-inch fish with a fondness for devouring snails, which was found at the site of a $100m dam construction and listed as endangered.

Work on the dam ground to a halt. The owners fought the case up to the Supreme Court, which declared that Congress's aim in passing the act had been to prevent the extinction of a species, irrespective of the cost.

The dam was eventually built, thanks to special legislation exempting it from the act, but the legal groundwork was laid for a larger clash over the Spotted Owl.

Environmentalists adopted the bird in the 1980s as a surrogate for a much larger concern – the rapid depletion of the "old growth" forests of the north-west under the loggers' saws. "Old growth" means areas that have never been harvested, containing trees hundreds of years old, making up a forest with a many-layered canopy. They are distinct from "secondary growth" – reforested areas of much younger, more uniform trees.

The environmentalists argue that huge swathes of old-growth forests must be preserved, both for aesthetic reasons and because they comprise a unique ecosystem, supporting a huge variety of wildlife that does not survive well in areas of secondary growth. The Spotted Owl, labelled an "indicator" species for the health of old forests, is said to need a variegated canopy to hunt effectively.

The environmentalists also argue, with justification, that the forest industry's method of "clear-cutting" – removing all the vegetation in a logging area – creates soil erosion and chokes fishing streams.

Since virtually all the old growth on private land has already been logged, the battle has centred on the vast tracts of woodland owned by the federal government and managed principally by the US Forest Service.

This agency, which is required to manage its lands for "multiple use", has come under increasing criticism from conservationists for being hand-in-glove with the timber industry, by both selling lumber at less than market prices and allowing too many trees to be felled.

With the listing of the owl, logging has halted on Forest Service lands while rival plans are put forward for the bird's preservation. Some of these would ban timber harvesting across 6m acres – roughly equivalent to 10 per cent of the British Isles.

The timber industry argues that this is far too much, and points out that about 3m acres of old growth are already permanently set aside in areas such as national parks, which are out-of-bounds to logging. It asks: just how large a "nature museum" does the US need? The environmentalists reply: a very large one, to preserve the delicate ecosystem.

Yet much remains unclear about the fundamentals of the ecosystem. There is controversy, for example, as to whether the Northern Spotted Owl is a distinct sub-species from its common cousin, The Californian Spotted Owl. Even the theory that the Spotted Owl is an indicator species for old-growth forests is disputed by the timber industry, which points out that many of the birds nest happily in the secondary-growth trees which they are supposed to hate.

Many of those nesting trees are on private forest land, and that causes big headaches for the owners because the Endangered Species Act requires them to create a large "no-logging" zone around every owl residence.

As a thick, dour report from the Forest Service puts it: "The set of factors affecting long-term viability of the Northern Spotted Owl are complex and not precisely known."

The competing claims of the two sides raise issues not only of fact but also of national policy. Yet critics point out that the Endangered Species Act, with its worthy insistence on restoring every species, irrespective of the cost, refuses to acknowledge that tough trade-offs have to be made between economic development and conservation.

Nor does it provide any compensation for property owners who suddenly find themselves out of pocket because of conservation moves – a situation that underlies much of the growing anti-environment backlash. Says Mr Lynn Michaelis, chief economist of Weyerhaeuser, one of America's biggest forest products companies: "If society wants to save the Spotted Owl, that's fine, but it mustn't impose an implicit tax on private landowners by taking away their right to manage the land and not compensating them." Compensation, he adds, would have the further advantage of making environmental trade-offs more explicit.

Next week, the interior secretary will produce a recovery plan for the Spotted Owl, as he is required to do by the Endangered Species Act. It is likely to entail the loss of at least 30,000 jobs in the north-west.

Troubled by this, Mr Lujan will also offer Congress the option of passing legislation which would exclude the owl from the Endangered Species Act and merely preserve its numbers. This would sharply cut job losses to about 15,000. This plan is reported to include reducing the owl's protected range which might allow a resumption of logging on the Olympic Peninsula and to the north-east of Seattle.

Coincidentally, the Endangered Species Act is itself up for re-authorisation by Congress in October. But in an election year in a country where urban conservationists vastly outnumber those making their living from the land, the politicians can be expected to proceed on both issues about as fast as Utah's endangered Kanab Ambersnail.

Even if it did move quickly, it would be years too late for the Larry Masons of the west.

On Tuesday, the FT starts weekly coverage of the European Court of Justice. **Robert Rice** reports

Marketplace law and justice for all

When the European Court of Justice in Luxembourg ruled in 1990 that a British Act of Parliament could be suspended until the question of its compatibility with European Community law had been tested, it brought home to the British people the supremacy of EC law over English law.

That case – which involved a challenge by Spanish fishermen to the UK government's attempts to prevent them fishing in British waters – made clear to everybody what Lord Denning, the former Master of the Rolls, recognised in 1974, that "the Treaty [of Rome] is like an incoming tide. It flows into the estuaries and up the rivers. It cannot be held back."

That EC law takes precedence over national law has long been apparent, but what has been less appreciated is the crucial role that the European Court of Justice (ECJ) has played in shaping the rules and regulations which govern the Community and the wider European marketplace.

The task of interpreting this growing body of law falls to the ECJ and its sister court, the Court of First Instance. Brussels looks to the ECJ to ensure the even-handed implementation by EC states of internal market legislation. Member states, individuals and companies look to it to check the growing power of Brussels, to review the legality of acts and decisions of the European Commission and the Council of Ministers, and to goad them into action where they have neglected their obligations under the Rome Treaty.

The Court's role is central to the Community's well-being. And yet it remains the quiet man of the Community's institutions. Europeans still confuse it regularly with the European Court of Human Rights in Strasbourg and the International Court of Justice in The Hague.

In the 1960s and early 1970s it was widely seen as the only Community institution which functioned efficiently. In a creative period spanning 15 years, during which the fundamental principles of the direct effect of Community law and its primacy over the national laws of the member states were established, the Court was willing to, and did fill, the vacuum created by the inaction of the Commission and the Council.

The Court's role is central. And yet it remains the quiet man of the EC's institutions

Since the end of the 1970s the Court has been noticeably less activist, primarily because it recognises that the other Community institutions are now operating more effectively. But its role in shaping and interpreting EC law has not diminished.

Lord Slynn, Britain's judge in Luxembourg until March this year, wrote recently of the important developments made by the ECJ over the past decade. On the procedural level, he said it had: developed its jurisprudence to cover the European Parliament; ruled that national courts have an obligation to give effective remedies to complainants under Community law no less favourable than those available under national law; recognised in the landmark *Francovich* case last year that there is a right to compensation for EC citizens injured by a member state's failure to give effect to Community law obligations; and ruled that administrative agencies as well as courts must give precedence to Community law.

There had also been fundamental developments in substantive law, Lord Slynn said. The ECJ had made great strides towards the elimination of sex discrimination in the employment and pension fields. In the 1990 *Barber* case the Court ruled that men and women should receive equal pensions as well as equal pay for equal work, and that individuals have an enforceable right to non-discriminatory benefits even though national legislation may exempt pension schemes from the equal pay laws. The Court had also rooted out discrimination on the grounds of nationality so far as students and workers are concerned; and developed rules relating to competition.

The ECJ's impact on the day-to-day operations of companies doing business in Europe has been no less important. The opportunities offered to business by European integration are immense. But to take full advantage of a wider European market characterised by the European Economic Area, and closer trading links with the countries of eastern Europe, companies need to understand the rules and regulations of the marketplace.

This week, to reflect the vital role the Court will play in creating a framework for business in the single European market, the FT is launching a weekly column covering developments in Luxembourg.

This year alone, in just three areas – competition, state aid to industry and anti-dumping laws – the ECJ and the Court of First Instance (CFI) have handed down a number of important decisions affecting business.

In cases involving 14 PVC manufacturers, the CFI found that the procedure followed by the Commission in deciding to fine the companies for operating an alleged cartel bore so little resemblance to the requirements of its own procedural rules that it should be treated as never having been made. The Court's criticisms were so far-reaching that they could result in many other decisions taken by the Commission over the past 35 years also being treated as invalid. The judgment opened up the possibility of several appeals, particularly by companies fined in the past for breach of EC competition rules.

In the state aid field, the short-cut procedure adopted by the Commission in investigating the allegation of an illegal state payment by the British government to British Aeropsace when it bought the Rover car group gave the ECJ the chance to set out the proper procedures to be followed by the Commission in such matters. The Court ruled that the failure of the Commission to take evidence from Rover and BAe had deprived both of their right to be heard. It set aside the Commission's decision to order BAe to repay £33m to the UK government.

The new column, to be written by the barristers of Brick Court Chambers, Brussels, will appear every Tuesday when the European Court is sitting. The FT is making this commitment to coverage of the ECJ because it recognises the increasing importance of EC law. As Ferdinand Mount says in his book, The British Constitution Now, the Spanish fishermen's case reinforced "the dawning awareness that the European courts, gradually, informally, but ineluctably, are themselves coming to make up a loose-knit sort of supreme court for us."

From design studio to new car showroom

Kevin Done examines the evolution of R&D at Ford Europe

The restructuring of Ford of Europe's research and development operations announced last week goes to the heart of its efforts to regain a competitive edge in the fierce battle for European car market leadership.

The US car maker's record loss in Europe in 1991 – the worst financial performance among the big six European car makers – has been a bitter pill for a company which led the west European car market in the mid-1980s and which prided itself as the European industry's most efficient volume car maker.

To revive its fortunes, Ford has launched an optimistically-titled "drive for leadership" campaign. High on the agenda is the implementation of so-called "simultaneous engineering" in the reform of product development.

Simultaneous engineering seeks to bring together design and manufacturing engineers to work in a project team (instead of their working in sequence and passing responsibility down the development line) so as to improve the speed, efficiency and quality of the complex process of developing a new vehicle.

To this end, Ford has embarked on a controversial programme to concentrate – by the end of 1994 – all its R&D activities at two sites at Dunton, Essex, in the UK, and at Merkenich, near Cologne in Germany, in place of the present six locations, four in the UK and two in Germany.

The plan will transfer several hundred jobs from the UK to Germany – and a few from Germany to the UK – as Ford seeks to overcome the competitive disadvantages of having vehicle development and engineering split between two countries.

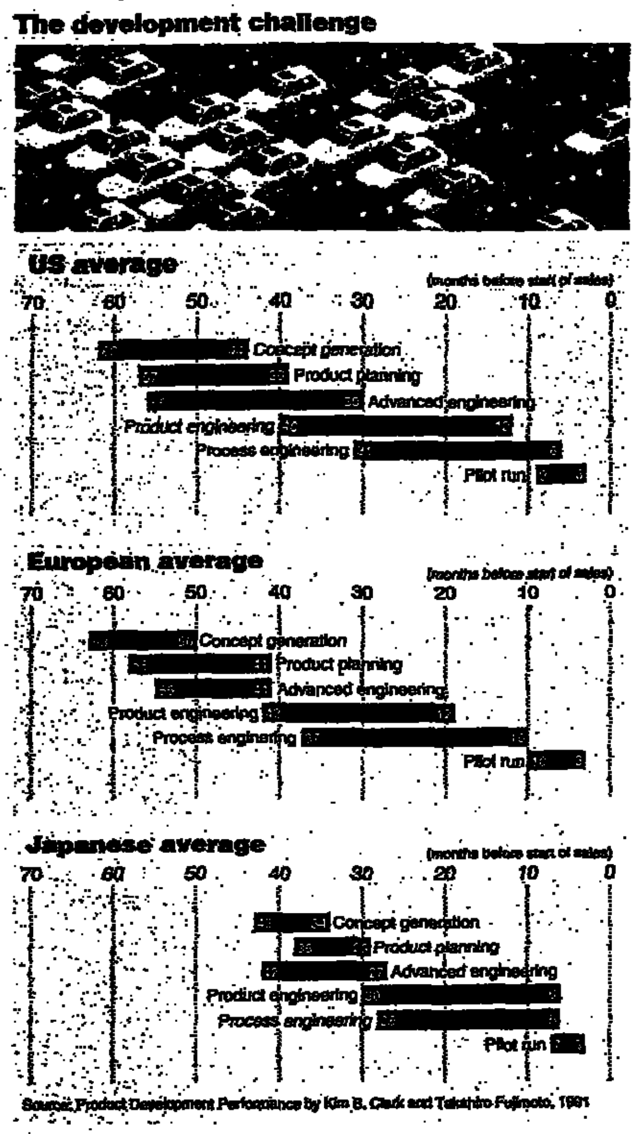
UK trade unions are preparing to fight the proposals, which, they claim, will transfer core engineering skills from Britain to Germany. Ford insists that more than half its R&D effort will remain in the UK.

Much of the analysis of European and US car makers' shortcomings in the battle against their Japanese rivals has focused on the relative efficiency and productivity of their assembly and manufacturing plants.

Increasingly, however, attention is switching from the manufacturing process to design, development and engineering.

"Unless we can manage more product programmes faster, at lower cost and with lower investment, we will not be competitive," says Mr John Oldfield, Ford of Europe's vice-president for product programmes, vehicle engineering and design.

The development challenge



Source: Product Development Performance by Kim B. Clark and Takahiro Fujimoto, 1991

Mr Oldfield's concerns are underlined by a recent study* by Mr Kim Clark and Mr Takahiro Fujimoto, professors at the Harvard Business School and Tokyo University, which identifies gaps in lead time and engineering productivity between Japanese and western car makers.

The study finds that "the average Japanese firm has almost double the development productivity and can develop a comparable product a year faster than the average US firm". On average, Japanese car makers needed 1.7m engineering hours to develop a standard car compared with 3.2m hours in the US and 3.0m hours for a European volume car maker.

According to Mr Oldfield, US and European car makers still take up to five years to develop a new car. "The Japanese have about a three-year development cycle and the best Japanese are even a little better than that. We have started on that route. We have not yet delivered a major programme in three years, but we now have some on the books."

Ford has been converted to the gospel of simultaneous engineering, but it has faced a big hurdle in matching its rivals: not only is its R&D split between the UK and Germany, but the design and manufacturing engineering has been scattered between several plants.

"Product engineers and manufacturing engineers must be in the same country, and ideally in the same office," says Mr Oldfield. "You cannot achieve simultaneous engineering by telephone or video-conferencing."

In the UK, Ford is planning to move 1,200 engineering staff by the end of 1994 from satellite operations at Aveley, Basildon and Dagenham to the main R&D site at Dunton, where the total workforce will be increased to about 4,500.

In Germany, some 1,300 staff are to be relocated to Merkenich, chiefly from Ford's Niehl Cologne car plant, bringing the total at the site to 3,800.

Controversially, as part of the restructuring about 300 jobs are to be transferred from the UK to Germany, while between 20 and 30 jobs will be moved from Germany to the UK. MSF, the British industry and services union, claims that another 200-400 jobs could be moved by 1994. Ford says that no more transfers are planned.

The movement of engineers between the UK and Germany is Ford's attempt to make the best out of a less than ideal situation. If it was starting afresh, Ford would undoubtedly locate all its R&D effort at one site in one country to gain the full advantages of simultaneous engineering.

"If two sites are better than six why not one instead of two," says Mr Oldfield, posing the question that has worried the UK trade unions.

"We looked at the option of a single site, because many of our competitors have this already," admits Mr Oldfield, "but it is impractical. We have too much invested in the UK and in Germany in people, skills, experience and facilities. We could not contemplate the cost and disruption of going to a single site."

Instead of the single site solution, which would have provoked an outcry from the unions and government in the UK – or in Germany – Ford of Europe is seeking to consolidate different areas of a vehicle's development either at Dunton or at Merkenich.

At those sites will be gathered not only the design engineers and the manufacturing engineers, but also the support staffs, purchasing engineers, finance and quality control specialists.

At Merkenich, for instance, Ford is concentrating body engineering – responsible for the body structure and all sheet metal parts – while at Dunton the vehicle interiors will be developed including instrument panels, mechanisms, seats, paint, trim and plastics. Basic engines will be developed in Germany. The UK will have engine systems, performance, economy and emissions development – and electronic engine management systems.

"After all these moves the balance of activities will still be close to 50/50 between the UK and Germany," says Mr Oldfield, "but we think the balance is in favour of the UK."

The split remains complex for a product as complicated as a motor car with thousands of parts. "Yes, we have compromised," says Mr Oldfield. But the legacy of Ford's parallel historic development in the UK and Germany could not be overcome in any other way – yet.

**Product Development Performance: Strategy, Organisation and Management in the World Auto Industry, published by the Harvard Business School.*

OBSERVER

The Paris club

■ If the Governors of the big central banks can use their regular monthly meetings at the Bank for International Settlements in Basle to get to know each other socially, why can't the other ranks do the same?

It seems that some of them are planning to do just that, but in less formal surroundings. Observer hears that the top economists of the Bank of England, the Banque de France and the Bundesbank have decided to break with tradition and inaugurate regular get-togethers. Mervyn King, André Icard and Otmar Issing are kicking off with a cosy dinner in Paris tonight.

Of course, there is a fairly heavy menu. The trio will be debating the outlook for German interest rates after last week's German public sector pay deal. Additionally, they will be discussing prospects for harmonising the central banks' monetary policy instruments ahead of moves towards monetary union.

If they have any time over fruit and cheese, they might get around to discussing the chimeric question of where the European central bank should be sited. Naturally, the Bundesbank's Issing is keen on Frankfurt, while the Bank of England's King has a sneaking suspicion that Bonn might be the compromise candidate to back.

New Scotsmen

■ Lonrho's Tiny Rowland deserves to be congratulated for selling George Outram to the existing management. The ownership of Scotland's top newspaper, the Glasgow Herald, is back where it belongs – in Scotland.

The price – around 20 times earnings – sounds a lot, but Lonrho is selling a quality asset at the bottom of a recession, and a couple of years from now, Outram's profits could easily have doubled.

Lonrho could probably have got more for Outram if it had auctioned it more aggressively. But then the Scots wouldn't own it.

Now that Scotland has regained ownership of one of its national assets, it will be interesting to see whether the real control passes into the hands of Edinburgh's financial mafia, or whether Outram's new owners will demonstrate a more independent streak.

If The Independent can pick German-born Sir Ralf Dahrendorf as its chairman, surely the new team at George Outram doesn't have to insist on having a Scotsman as chairman.

Hard landing

■ Older Hungarians may find the news that BA is taking an acquisitive sniff at Malev, their national airline, quite piquant. A few years ago one of the self-deprecating jokes which sustain Hungarian morale ran:-

"How do you catch a Malev flight?"

"Oh, just buy a plot of land, and wait."

Solley on pools

■ Whatever happened to Stephen Solley QC? He is the lawyer who represented Victor Gray, alleged owner of the Savings and Investment Bank, the Isle of Man's most famous collapsed bank. Gray got off as did Solley's recent clients in the Titaghur Jute and Barlow Clowes cases. With a record like that, and the current boom in white collar crime, surely Solley can't be short of money?

"I'm concerned that we may be peaking too early"

However, last week he was complaining on TV about delays in the speed with which barristers are paid and now Observer finds that Solley has been moonlighting as a freelance travel writer. He has just finished a guide book to French hotels with swimming pools.

Early days yet, but it could turn out to be the standard reference work on this specialist subject and it is certainly more readable than the likes of Weinberg and Blank on Take-Overs and Mergers. However, Solley is not yet ready to abandon the bar. "Getting people off complicated fraud charges was considerably easier than getting this book produced", complains the author.

Official dumping

■ Oh dear, has anyone else spotted that two identical versions of the Maastricht Treaty are now on sale in Her Majesty's Stationery Office?

One is in the familiar A4-sized rough blue paper-covered format produced by HMSO. It is priced at £13.30. The other is a smarter official EC production, compete with glossy mediaeval map of Europe on its cover, and priced at just £6.50.

This latest piece of unfair competition has already been spotted by Labour's Lord Bruce of Donington. "I have no doubt it is the result of a massive subsidy from EC funds - they are never checked", he tells me. "I think it's horrific, but I'd bet not more three ministers, if that, have read this document - at any price".

A bit rich

■ The Sunday Times still can't make its mind up whether the Queen is Britain's wealthiest person. In its latest list of Britain's 300 richest people, the Queen comes out on top with £6.5bn. But this is in her capacity as head of state which is pretty meaningless.

If she is counted as a private citizen, like the rest of the bunch, she slips to number 16 in the charts, and if rival estimates in the Economist magazine are to be believed, she would only rank as the 150th richest person. It would make more sense if the Sunday Times did the same with the Queen as it has done with Michael Ashcroft and Peter de Savary and dumped her from the list to save future embarrassment.

Estimates of her wealth as just as unfathomable.

Bushwagged

■ Latest barbed joke doing the rounds of Washington's political salons.

George Bush is blaming the Los Angeles' riots on the failed policies of the sixties.

Which sixties does he mean - the 1960s and LBJ's Great Society - or the 1860s and the freeing of the slaves?

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Right place for locating EuroFed

From Mr Wayne D Gantt.

Sir, The debate over the location of the proposed European Central Bank will likely get nastier before it is resolved. As a visitor to the financial centres of Europe, I see obvious reasons why the bank ought to have its headquarters in London or Frankfurt. The other contenders are lightweight. Either the Germans will prevail because of the sheer size of their economic clout, or the bank could move to London to ensure even-handedness.

London would be a great choice since a German will likely be the first chairman. This compromise would protect the integrity of the Ecu and D-Mark. So, two points for the Germans.

Seen from across the Atlantic, London appears neutral. I cast my vote for London as the premier European financial centre and home for the ECB.

There is another consideration. A good international bank needs a cadre of financiers, economists and civil servants. London is presently the home of one of the global centres of economic learning – the London School of Economics. The LSE already supplies monetary priests to the US Fed, the Bank of England and, probably, the Bundesbank. What better way to guarantee the necessary human capital to assist the new bank than by placing it in the Olympia & York Canary Wharf tower and by allowing the LSE to move into County Hall.

Wayne D Gantt,
senior vice-president and chief economist,
Interstate/Johnson Lane,
945 East Paces Ferry Road,
Atlanta, Georgia 30326,
USA

EC in danger of endorsing obstacle to airline competition

From Mr Richard Branson.

Sir, Prof Doganis (Personal View, April 29) performs a valuable service by highlighting the potential benefits of competition among airlines, especially from new entrants.

A glimpse of the wastage which accumulates in the absence of competition was revealed by British Airways in 1989 when, despite a remarkable sudden productivity improvement of more than 50 per cent starting in 1979, it admitted that it still had to charge 25 per cent more than newer British airlines. That is a completely unnecessary burden of several million pounds every day upon businesses and individual travellers.

Even with the benefit of fares 25 per cent higher than needed, some European airlines need subsidising. Prof Doganis lists four. Government subsidies to airlines are a prodigious waste of money. Immense savings in travel costs are waiting to be realised once the barriers to competition from new airlines are removed. But this is not happening, despite Prof Doganis' optimistic claim that European air transport will be largely liberalised by January 1993. Removing some old anti-competitive rules achieves little if passengers remain captives of the same old high-cost airlines.

The principles of competition as set out in the Treaty of Rome would do the job if applied to aviation. In particular, there is an urgent need for a sustained systematic attack on so-called grandfather "rights" which form a highly effective obstacle to new airlines, especially when used to govern access to essential facilities such as arrival and departure slots at the airports used by most passengers. Without competitive slots, no airline can be fully competitive, yet these privileges are currently allocated on the irrational basis that previous possession of these profit opportunities entitles the holder to first claim upon them, forever.

Instead of scrapping this obstacle to effective competition, the European Commission appears to be in grave danger of endorsing it. It is to be hoped that the imminent UK presidency will come just in time to stop this myopic retrograde step, and instead will open real competition. When it does, it will convert European aviation into an efficient industry, and save the businesses, citizens and taxpayers of Europe a prodigious amount of money.

Richard Branson,
chairman,
Virgin Atlantic Airways,
Ashdown House,
High Street,
Crawley, W Sussex RH10 1DQ

Pensions can and should be insured

From C H Armitage.

Sir, Mr Nunneley, chairman of the Institutional Fund Managers' Association (Letters, April 16) has stated that it is neither sensible nor practicable to insure against the loss of funds in his members' care.

Having invested pension fund monies one ought to be able to expect that they are repaid on demand plus or minus investment returns. But this is not the case with all association members. They do not admit liability to return monies lost other than through their own negligence.

If Mr Nunneley's members are incapable of guaranteeing the return of funds in their care, then they should insure the risk. With the will it can be arranged; catastrophe insurance provides cover for large sums and the loss of pension monies is no different.

He cannot have it both ways; either his members do the job for which they are paid and look after funds entrusted to them, or they obtain insurance cover. But whichever, he should get on with it and stop evading the issue.

C H Armitage,
46 Burlington Avenue,
Kew, Surrey TW9 4DH

France can bank on it

From Mr Aurian de Maupeou.

Sir, I was surprised to read that Chiddingfold no longer has any bank branches ("The battle for Midland", May 1). Venansault, in Vendée/France, with the same size population as Chiddingfold and situated six miles from its county town, has two thriving sub-branches of the Crédit Mutuel and Crédit Agricole.

The Crédit Agricole *agence* is open all morning Tuesday to Saturday (closed Sunday and Monday). It is staffed by two men equipped with two computer terminals who have been there for years and know all their customers not only by name but often by account number and personal circumstances. And there are even chairs for queueing customers.

Are these reasons why Crédit Agricole is the largest bank in France and one of the leading banks worldwide?

Aurian de Maupeou,
2 Bishops Close,
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London W4 4JA

Allies, not members

From Mr Bryan Cassidy MEP.

Sir, Mr Anthony Kinch is wrong to claim that "Tory members of the European parliament are ... joining the Christian Democrats" (Letters, May 2). We are joining the group of the European People's party (Christian Democrats and allies) as *allies* in the same way as former French president Giscard d'Estaing has done.

While I accept that the name "People's party" sounds odd in English ears because of its loony left echoes, the group of the EPP, as it is generally known in the European parliament, is the only convincing counter-balance to the largest group in the European parliament – the Socialist Group in which the 45 British Labour MEPs have a commanding voice.

The alliance of Conservatives with the EPP had the blessing of Mrs Thatcher when she was leader of the Conservative party and has the blessing of Mr Major as well. Indeed, but for his relationship with Chancellor Kohl, the alliance could not have been sealed.

The advantage for the EPP in having 32 British and two Danish Conservatives will be a more serious and disciplined approach. Unfortunately, the EPP has too often been weak because its members lack discipline. Their absence from crucial votes has, on occasion, unnecessarily handed victory to the left in the European parliament.

Mr Kinch's suggestion that the EPP expects British Conservatives "to stand as Christian Democrats at the next European election in 1994" is absolute nonsense.

Bryan Cassidy,
European Parliament,
Constituency HQ,
The Stables,
White Cliff Gardens,
Blandford, Dorset DT11 7BU

Language is vital in links with Japan

From Mr Horst G Krenzler.

Sir, I read with great interest the special report (April 25) on Japanese language and business courses organised in the UK for business executives. We certainly share the view that participation in business-oriented intensive language courses constitutes an efficient and vital prerequisite for the staff of companies which intend to build and maintain long-term commercial links with Japan. I would, therefore, like to draw your attention to a European Community initiative which pursues the same objective and which is open to the participation of UK companies, together with those of other EC member states.

Launched in 1979, the Executive Training Programme consists of a 12-month intensive Japanese language course in Tokyo followed by a six-month placement with a Japanese company, supported by other activities, such as seminars and plant visits. A large element of the cost of the programme is borne by the Commission of the European Communities.

Since the ETP's inception, more than 400 executives, including 67 from the UK, have completed the programme and more than 80 per cent of them are now playing a key role in the management of their companies' commercial relations with Japan.

Horst G Krenzler,
director-general,
Commission of the European Communities,
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Belgium

Assessment of teachers a PR gambit

From Mr Bradley Sweet.

Sir, Central government has ordained that over a period of two years, all teachers must be assessed. Similar practices in industry are held up as a model.

I have no objection to assessment, provided it is fair and leads to positive results. But it seems questionable whether it will work in education.

Three points concern me as a teacher in a state comprehensive school:

● Given that the assessor will be a member of the school staff, it will be difficult to ensure his or her neutrality.

● Areas to be assessed – such as classroom teaching, marking, discipline, relations with parents, administration of a department – are to be negotiated between assessor and assessee. Thus, if I, the recipient of assessment, felt weak in any of these categories – I might, for instance, feel weak on discipline – could negotiate for these to be omitted. This is wrong; every aspect of the job should be assessed.

● What outcome to assessment can there be? There will be no salary increase – a fixed scale does not allow for individual reward – and further training to correct weaknesses is financially out of the question, as schools are limited in their funding from the borough and from central government.

So what positive benefit can accrue from this time consuming exercise? It is largely a public relations gambit that seems to offer little to remedy defects in the system.

Bradley Sweet,
Preston Manor High School,
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Wembley HA9 8NA

EC must press Greece to recognise Macedonia

From Vuko Tashkovich.

Sir, Today, Greece wants to eradicate the Macedonian name and relegate it to the history books. Greece encompasses more territory than ever before. It has achieved its policy of expansion by exploiting the temporary weaknesses of its neighbours over time and annexing territories with the help of the west. This is allegedly done in the name of "Greek democracy". In 1912 and 1913, both during and following the Balkan Wars, Greece seized Thessaloniki from Turkey, annexed Crete and absorbed a large part of coastal Macedonia.

Macedonia is the name of a geographical region that belongs to all peoples. Today, the former state falls under the national boundaries of three different countries. To the north is the independent Republic of Macedonia where southern Slavs have lived for 1,400 years. To the south is the northern part of Greece and to the east live the Bulgarian-Macedonia people. Throughout the centuries, the region of Macedonia has maintained its own name.

The Greek government does not have a copyright on the name of Macedonia. Nor does Greece have the right to start changing the names of other cities around the world.

In ancient times, the Greeks did not consider Macedonia to be a part of Greece. In 359 BC, Demosthenes, the Greek statesman, wrote his famous anti-Macedonian speeches in which he depicted the Athenian fear of the Macedonian kingdom and Philip II. A generation later, Alexander the Great conquered Athens. With this historical precedent, how can Greece claim that Macedonia belongs to it?

The Greek government, with its irrational policy toward Macedonia, has taken advantage of the goodwill of the EC by delaying the international recognition of this country. Internally, Greece has aroused extreme nationalistic behaviour, closed its northern borders for commerce and withheld vital supplies of food and medicine. I believe that Greece is deliberately preparing the groundwork for another tragedy by creating conditions for war such as is occurring in Croatia and Bosnia-Hercegovina.

I believe that the EC should hold the Greek government accountable for its provocative actions. I urge the EC foreign ministers to end their indecisiveness about the plight of the Macedonian people and their right to self-determination.

Vuko Gligor Tashkovich,
PO Box 296,
Pound Ridge,
New York, US

Remedy for inadequacies of UK agricultural co-ops

From Mr Malcolm Lynch.

Sir, Tim Coone in his article "Irish milkmen discover talent for butchery" (April 14) highlights the growth of the Irish agricultural co-operative sector and refers to their hybrid co-operative/plc structure as both an innovative and potentially inhibiting factor in future growth.

Recent encouragement by UK ministers for farmers in the UK to establish agricultural co-operatives, like their counterparts in many member states of the European Community, focuses the spotlight on the inadequacies of the Industrial and Provident Societies Acts which is the principal legislation under which agricultural co-operatives are registered.

There have been a number of innovations in co-operative law in other European countries in recent years. These include the issue of non-voting shares or limited voting shares as well as financial instruments, similar to the permanent interest bearing shares issued by building societies, which might be traded on the stock market. Such improvements to co-operative law also appear in the proposal for a European co-operative statute which was issued in March 1992 by the European Commission.

If the UK government seeks to enlarge a strong agricultural co-operative sector in the UK then it must ensure that co-operative law, in the form of the Industrial and Provident Societies Acts, becomes a modern and effective business medium while retaining co-operative principles. This will only happen if the Treasury gives a clear green light to its immediate update and to improving the resources of the Registry of Friendly Societies to examine legislative change.

Malcolm Lynch,
solicitor,
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FINANCIAL TIMES
Monday May 11 1992

Imelda Marcos, widow of former president Ferdinand Marcos and herself a candidate in today's Philippines presidential poll, trying on shoes in a Manila shop yesterday. More than 1,000 pairs of shoes were found in her palace wardrobe in 1986. Poll deaths, Page 6

Bishop condemns bosses' pay deals

By Richard Donkin in London

THE BULGING pay packets of *Britain's top executives were* exposed to the wrath of the church yesterday when Dr George Carey, the archbishop of Canterbury, criticised businessmen who awarded themselves big increases during the current recession.

A 700-strong congregation, including Sir John Banham, director-general of the Confederation of British Industry, was treated to a stinging sermon on the nature of wealth creation during a service at Derby Cathedral to give thanks for the achievements of industry.

Turning the service into a penitential occasion, Dr Carey said it was wrong to "make money for its own sake".

He added: "*Within our own* society, our collective commitment to industrial enterprise will remain under-powered if the fruits of success appear to be concentrated too heavily in the pockets of shareholders and senior executives."

"For example, massive individual pay rises during a recession do not encourage public support for wealth creation."

The archbishop said the purpose of industry was to serve the public by creating services to meet their needs. "It is not to make profits for shareholders, nor to create salaries and wages for the industrial community. These are necessary conditions for success but not its purpose."

He questioned whether industry was fulfilling its purpose when "prolonged bursts of private-sector-led economic growth" in advanced countries left many people in the world "hungry, thirsty, naked, ill or in prison".

But Mr Peter Morgan, director-general of the British Institute of Directors, said: "I prefer Adam Smith to the archbishop on the question of understanding the purpose of business." He added that it was naive to suppose there was a link between directors' payment and booms and slumps.

The British Institute of Management supporting Dr Carey said some top directors had been "greedy" in awarding themselves pay rises above the inflation rate.

Mr Roger Young, director-general of the 75,000-member institute, said that while directors of small companies had shown restraint, those of some big companies had been "*insensitive*".

His comments follow a number of highly publicised large pay awards that have also drawn criticism from Mr John Major, the UK prime minister.

Among recent large pay increases was that paid to Mr Lawrence Urquhart, chairman and chief executive of Burmah Castrol, whose salary rose 40 per cent last year to £385,000 despite annual profits remaining static. Mr Robert Evans, the chairman of British Gas saw his salary more than double to £435,222 since becoming chairman and chief executive in July 1989.

Dr Carey's own stipend rose by 6.3 per cent in April to £43,550 a year. But it is not what it was before Queen Victoria's reign. In 1835, before the creation of the ecclesiastical commissioners, the archbishop of Canterbury had a stipend of £19,000, equal today to an annual salary of £880,000 that would put him ahead of most captains of industry.

UN agrees global warming pact for Rio Earth Summit

By Michael Littlejohns, UN Correspondent, in New York

THE DRAFT of a treaty to curb emissions of greenhouse gases which threaten to change the earth's climate has been agreed by a 143-country United Nations committee. The document is likely to become the centrepiece of next month's Earth Summit in Rio de Janeiro.

The text, approved late on Saturday night after long and painful negotiations, should also open the way for the attendance at the summit of US president George Bush, though only at the cost of a weaker treaty than was originally sought.

After the agreement, unusually for the UN, delegates broke into prolonged applause, and some left their places to hug and kiss colleagues. But this quickly gave way to streams of criticisms of an accord that many called too weak because it contains no binding deadlines. Others denounced it as a product of the collusion of a few industrial powers.

The Framework Convention on Climate Change will commit states that sign it at the Earth Summit to limit emissions of gases responsible for raising the earth's temperature.

But because of US opposition, and against the wishes of EC members, negotiators failed to agree on clear targets or a timetable to stabilise concentrations of carbon dioxide, methane and other heat-trapping gases. Instead, the treaty calls on states to try to hold emissions to 1990 levels while recognising that a return to "earlier levels" by the year 2000 would advance the main objective.

It establishes machinery to review climatic change and advise whether more stringent measures might be necessary.

Aid for developing countries to meet its goals would be provided through the Global Environment Facility recently created by the World Bank and other UN agencies, but no amount is specified.

Hailing the result as a "very strong" agreement, Mr Robert Reinstein, chief US delegate, rejected charges of US foot-dragging and compared the American record favourably to that of other nations. "Europe is frankly in many areas not quite as advanced as the US has been," he said, adding that the Europeans' stance reminded him of "our idealism of the 1970s on the environment".

Editorial Comment, Page 14

EC finance chiefs agree on measures to boost growth

By David Gardner and Patrick Blum in Oporto and William Dawkins in Paris

PLANS TO co-ordinate a range of measures to boost growth were agreed by European Community finance ministers at the weekend.

However, the ministers, meeting at Oporto in Portugal, rejected any short cut to a revival, saying EC economies had to earn interest rate reductions through continued efforts to reduce public spending and restrain wages.

Mr Norman Lamont, the UK chancellor of the exchequer, hailed the outcome as "a very considerable breakthrough in the psychology of the Community".

Mr Jorge Braga de Macedo, Portugal's finance minister, said: "The main result of this meeting is a confirmation by the 12 that it is essential to proceed with the medium-term strategy agreed at Maastricht and to raise the credibility of European economic union."

It was a signal to the markets that Maastricht was here to stay, he said. Markets should be liberalised further and there should be more public spending control measures which would hopefully help to lower interest rates.

The European Commission is to report within a month on how the co-ordinated supply-side measures can be introduced into member states' convergence programmes.

The member states would examine and judge this through the "multilateral surveillance" process designed to encourage compliance with the stringent financial targets for Emu later this decade.

Apart from lower deficits and wage moderation, the main emphasis was on promoting flexibility in the labour market; a fast completion of the Single Market and the need to conclude the stalled Uruguay Round on world trade liberalisation; reducing the fiscal burden on savings to boost investment; and boosting public investment at the expense of current spending.

Expectations of a rather fizzier "European Growth Initiative" had been encouraged by France's request for a special debate on the effect on growth and jobs of high interest rates dictated by the high borrowing requirement for German unification. However EC frustration that Bonn will not ease off on interest rates was muted at the meeting.

Economic indicators, Page 6

THE LEX COLUMN

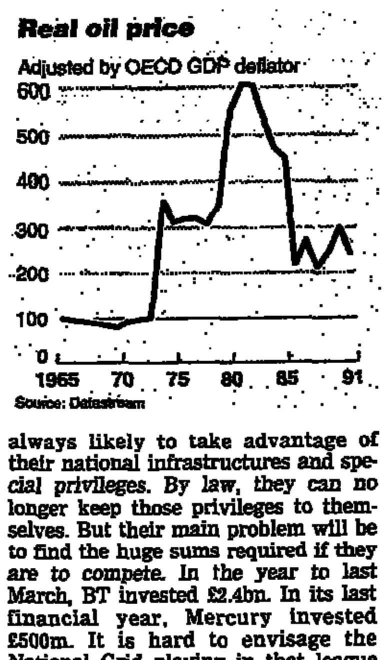
The railway bazaar

Shrewd players of Monopoly, the board game for would-be property punters, will be aware that London railway stations can be extraordinarily valuable assets. Thanks to the government's renewed determination to hand over large chunks of British Rail to the private sector – as outlined in last week's Queen's Speech – it looks as though businessmen will be able to try the real-life version.

As with other privatisations – or creeping denationalisations as this one is probably better described – there are implications for the public finances, as well as for those companies which may care to get involved. Ministers naturally dismiss the idea that a latter-day Beeching plan is in the offing. But at the very least, a rethink about the costs, value, and *size of the network is now assured.*

In particular, the process will expose cross-subsidies in the system now hidden by the provision to BR of a single block grant. Take BR's freight business, for example, which mostly loses money because of fierce competition from road hauliers, but which benefits from paying a relatively small charge for access to the track. In theory, InterCity services are all pitted against road and air alternatives. In practice, profits from near monopoly positions on medium-haul routes like London to Birmingham help prop up other parts of the service. Cash disposals are clearly part of the government's plan. But in view of its commitment to maintaining the level of services, the proceeds from selling off the lucrative bits like coal transport will in part be offset by the need to replace the cross-subsidy which these activities provide.

Against that, the hope is that subsidies will fall as operators compete for the unprofitable services. But it might be a mistake to think that the government is mainly in this one for the money. Even the stations may not be as juicy as they appear on the Monopoly board. Complications include planning constraints – Paddington, for example, is a listed building – while developers will surely be obliged to retain the working bits like platforms and concourses, under BR supervision.



UK telecoms

Last week's announcement that the National Grid is applying for a licence to supply telephone services will not have worried BT or Mercury unduly. Groups such as the electricity and water companies and British Rail were always likely to take advantage of their national infrastructures and *special privileges. By law,* they can no longer keep those privileges to themselves. But their main problem will be to find the huge sums required if they are to compete. In the year to last March, BT invested £2.4bn. In its last financial year, Mercury invested £500m. It is hard to envisage the National Grid playing in that league for years to come.

Olympia & York

Perverse though it may seem, the collapse of Olympia & York could prove just the fillip London's distressed commercial property market is looking for. Conventional wisdom is that it would be an unmitigated disaster, further swelling the oversupply of deeply discounted high-quality office space in the City and West End of London. But it could be that the very remoteness which is Docklands' basic problem limits its influence on the centre. Indeed, the City could eventually benefit if the sceptics are finally proved right: that even with its ill-fated transport system in place, Docklands will never be more than a classier version of Croydon.

In the shorter term, a collapse might also mean that some tenants who have moved or are moving to Docklands could wriggle out of their contractual obligations. Moreover, the huge financial inducements which were used to bring others to Docklands would no longer be available.

Granted, the effect on the banks could have more serious implications for the property sector. Lenders have thus far shown a remarkably united front, as in recent rescues at Mountleigh, Rosehaugh and Speyhawk. The reason – that they cannot afford to do otherwise – is best illustrated by the *calculation that the cost of fully* providing for 20-25 per cent of the UK clearers' £17bn of property exposure is equivalent to three years' profits. There is no knowing the *actual figure* they have set aside, but one outside guess is that it is less than half what might be considered prudent. The risk is that the credit *squeeze now facing* UK property developers could turn into a veritable credit crunch. But the banks may well have built the demise of *O&Y into their calculations already*, as has the market for property shares.

Oil sector

Given the problems dogging the oil industry lately, it is worth considering the wider implications if crude prices stay weak in the long run. After all, it is conceivable that the higher real prices of the 1970s which made North Sea development possible were a break *in a longer pattern of stability*. The late 1980s in particular may be characterised as a period of over-investment by oil companies on the *false premise that prices would rise* again. The flaw in the logic was that the more companies invested on the basis of higher prices, the less likely *higher prices became.*

In theory, sustained low prices might make new investment uneconomic, in which case companies might have no choice but to shrink. In practice, the outlook is not quite as bleak as that. Oil at $18 per barrel probably does allow an acceptable rate of return on most of the projects actually being contemplated. It is certainly a more appropriate investment benchmark, forcing the industry to re-examine its expenditure on new wells or rivals' assets.

The real problem is not so much cheap oil as the financial legacy of the late 1980s. Past investments must still be paid for, whether or not they are making the expected returns. The continuing squeeze on cash flow is hampering the industry's ability to fund new projects. This dilemma is particularly acute for the independent exploration companies. Unless they are lucky enough to find oil cheaply, they have no prospect of raising the money without which they cannot explore. Nor are their shares yet so cheap that they represent an affordable investment for other players in the sector. In that kind of tussle, there seems little reason for the portfolio investor to get involved.

Veto row over IFC entry

Continued from Page 1

tries, however, have criticised the proposal, both on the principle of preserving a US veto and on the grounds that the rule change would require parliamentary approval from many IFC member countries. This could delay still further the entry of the republics.

One suggestion for bringing Russia and its fellow republics quickly into the IFC fold is for each republic to take only a single, symbolic share, until wrangling over the details of the capital increase has been concluded.

This idea is supported by Russia and its sponsor in the IFC, the UK, as well as Ukraine. But it has angered many smaller IFC member countries, which have had to pay for their stakes in the corporation, but have yet to receive any IFC financing.

They do not see why Russia, which will almost certainly be the beneficiary of several sizeable big IFC projects, should not pay up for its shares.

Some members believe that a settlement is possible if the US will agree to allow the capital increase to go ahead immediately, at the risk of temporarily losing its veto, while the rule change is being worked on. This would allow the former Soviet republics to become members of the IFC without delay.

Jobless are given priority

Continued from Page 1

rejected any short cuts to stimulate growth and reduce unemployment in the community. After a French-inspired discussion on the effect of Germany's high interest rates on growth and employment, they agreed at an informal meeting in Oporto, Portugal, that fiscal rigour and structural reforms were the best way to create jobs.

Next week's OECD meeting is likely to reach similar conclusions. The ministers are expected to stress the need for strengthening education and training, encouraging flexible wage setting, and promoting "active" labour market policies that shift the emphasis from income support during unemployment to increasing the incentives for the unemployed to seek jobs.

Mr Michel Sapin, France's recently appointed finance minister, has pushed for more international discussion about growth and employment, as has Mr Nicholas Brady, the US treasury secretary.

The fact that the OECD meeting will be chaired by a representative of a socialist government, Mr Sigbjorn Johnsen, the Norwegian finance minister, may help explain the importance attached to unemployment.

World Weather

		°C	°F
Ajaccio	S	20	68
Algiers	F	22	72
Amsterdam	F	12	54
Athens	S	24	75
Bahrain	S	31	88
Bangkok	F	39	102
Barcelona	S	19	66
Beijing	R	16	61
Beirut		–	–
Belfast	S	9	48
Belgrade	S	27	81
Berlin	F	9	48
Biarritz	S	18	64
Bombay	F	31	88
Bordeaux	C	17	63
Boulogne	C	13	55
Brussels	F	13	56
Budapest	F	16	61
Buenos Aires	R	18	64
Cairo	S	28	82
Cape Town	S	21	70
Caracas	C	28	82
Casablanca †	S	20	68
Chicago †	S	13	55
Cologne	C	12	54
Copenhagen	F	12	54
Corfu	S	23	73
Dallas †	F	19	66
Dublin	C	11	52
Dubrovnik		–	–
Edinburgh	C	8	46
Faro	S	20	68
Florence	F	24	75
Frankfurt	F	15	59
Geneva	S	21	70
Gibraltar	S	24	75
Glasgow	C	9	48
Helsinki	F	10	50
Hong Kong	R	20	68
Innsbruck	C	21	70
Inverness	R	8	46
Islamabad	F	34	93
Istanbul	S	19	66
Jakarta	C	32	90
Johannesburg	S	23	73
Lisbon	S	18	64
London	R	11	52
Los Angeles †	C	17	63
Luxembourg	C	13	55
Madeira	F	19	66
Madrid	S	27	81
Majorca	S	21	70
Malaga	S	22	72
Malta	S	25	77
Manila	R	37	99
Melbourne	F	14	57
Mexico City	C	23	73
Miami †	S	22	72
Milan	S	23	73
Montreal †	S	12	54
Moscow	S	13	55
Munich	F	13	55
Nairobi	C	23	73
Naples	S	22	72
Nassau	C	27	80
New Delhi	S	38	100
New York †	R	13	55
Nice	C	19	66
Nicosia	S	21	70
Oporto	C	17	63
Oslo	F	10	50
Paris	F	15	59
Prague	F	13	55
Reykjavik	Sn	0	32
Rhodes	S	22	72
Rio de Janeiro	C	29	84
Rome	F	21	70
Salzburg	F	13	55
S'Francisco †	S	12	54
Seoul	S	21	70
Singapore	F	31	88
Stockholm	F	12	54
Strasbourg	C	18	64
Sydney	C	20	68
Taipei	C	22	72
Tangier	F	19	66
Tel Aviv	F	21	70
Tenerife	S	19	66
Tokyo	R	12	54
Toronto †	S	13	55
Tunis	S	25	77
Valencia	S	23	73
Venice	S	24	75
Vienna	R	18	64
Warsaw	C	15	59
Washington †	C	12	54
Zurich	F	16	61

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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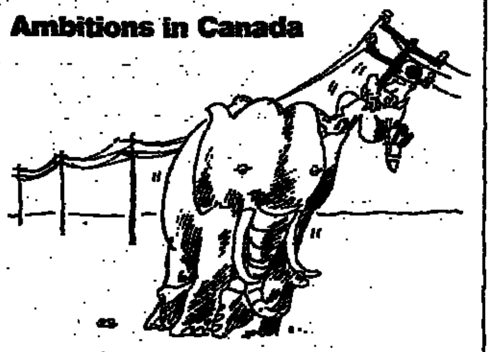
INSIDE

Maddox close to announcing purchase

Mr Hugo Biermann's recently listed Maddox group is expected to confirm this week that it is on the verge of making its first UK acquisition and is planning several more. The South African-born entrepreneur, who sold the mini-conglomerate Thomson T-Line to Ladbrokes for £186m ($329m) in 1989, three years after buying it for £800,000, is at an advanced stage of talks to acquire a privately-owned cable systems company for around £15m. Page 20

Ambitions in Canada



Mr Jean Monty, Bell Canada's chairman, is determined to prove that a medium-sized telephone company can expand and prosper among the giants of the international telecommunications industry. But Mr Monty recognises that Bell has its limitations in trying to compete with such giants as AT&T, British Telecom and NTT. "You can't go after an elephant by punching him on the nose," he says. Page 21

Brakes on Pirelli

Pirelli Tyre Holding, the Dutch-listed tyre-making arm of Italy's Pirelli group, saw annual net losses widen to Fl 511m ($275m) in 1991 from just Fl 9m in 1990. The downturn was caused by difficult conditions on most world tyre markets, reorganisation costs in Europe and the US, and a downwards revision in the market value of Pirelli Tyre's 5 per cent stake in Continental, its German rival and one-time takeover target. Page 21

Success for fund managers

Fifteen months ago Murray Johnstone, the Glasgow-based fund management company, presented an unhappy spectacle. It had been forced to admit failure in its attempt to find a partner who would buy part or all of the company and help it move into a bigger league among fund managers. Now Mr Nick McAndrew, the managing director, is cheerful and positive as he ticks off a list of recent successes. Page 20

Market Statistics

Companies in this issue

Robert Taylor on problems arising from Sweden's lending in the 1980s

State steps in to avert crisis in financial sector

SWEDEN'S centre-right government may be committed to a sweeping privatisation programme. Yet the crisis within the banking system has reached such proportions that the state has been forced to intervene directly to secure the future of Nordbanken, the country's second largest commercial bank.

The magnitude of the bank's problems forced the government to step in last Friday with a pledge of SKr20bn ($3.3bn) for "guarantees, loans, or capital infusions" to restructure the bank and help stabilise the country's banking system.

Mr Björn Wahlström, Nordbanken's chairman, underlined the severity of the bank's plight when he warned that mounting credit losses would have made it impossible for the bank to achieve the 8 per cent minimum capital adequacy ratio set out by the Bank for International Settlements.

Nordbanken, in which the state already has a 77.3 per cent stake, is not alone in its problems. After the deregulation of Nordic financial markets in the 1980s, and the lifting of controls on lending, the banks scambled for customers – in some cases paying little attention to their credit worthiness. The boom and subsequent collapse in Swedish property prices exacerbated the problem for the banks, which were last year hit by big credit losses.

Total credit losses for Sweden's financial institutions in 1991 climbed to SKr48.1bn, nearly three times the 1990 figure. According to Mr Anders Sahlen, head of the country's independent Bank Supervision Board, further financial support will be needed to save other banks in difficulties.

The new government has already been forced to help rescue Första Sparbanken, the Swedish savings bank, while Gota, one of the larger commercial banks, is being taken over by Trygg Hansa SPP in order to bolster confidence in the bank's financial position.

In the autumn the state had to provide a guarantee for Nordbanken's SKr5.2bn new share issue. This, though, proved insufficient to meet its needs.

The country's leading private commercial banks - Skandinaviska Enskilda Banken and Svenska Handelsbanken - believe they are put at a competitive disadvantage by the state's intervention. Both have been hit by credit losses but are in stronger positions than others in the sector.

Swedish banking shares dropped sharply last Friday. However, as there is no bank industry rescue fund such as the one in Norway, bankers accept that the government had little alternative but to support Nordbanken.

Nordbanken has suffered the heaviest credit losses. Last year it reported a loss of SKr5.8bn, the biggest in Swedish banking history, following credit losses of SKr10.5bn. At the end of last month, the bank's board recognised it had no alternative but to turn to its largest shareholder – the state. The state will acquire the outstanding 22.7 per cent, including a 12.6 per cent stake owned by Nobel Industries, the Swedish chemicals group, for SKr21 per share at a cost of SKr2bn. In addition the government will provide SKr20bn for a restructuring of the bank.

"It is shocking that the taxpayers must pay but we were obliged as a shareholder to act", admitted *Mrs Anne Wibble, the finance* minister.

The state-controlled bank has faced strong criticism in the past.

Soon after its creation, when PK Banken agreed to pay SKr5.8bn to acquire Nordbanken, a regional commercial bank, soaring credit losses led the Swedish government to dismiss the bank's chief officers and most of the board.

Last year, the new management implemented rationalisation measures in an effort to stem the financial deterioration. However, as the Swedish economy continued to suffer from a recession, these measures proved insufficient and the situation shows no signs of improvement. *Nordbanken forecasts credit* losses of SKr4bn for the whole of 1992.

Under the latest plan, the bank is to be divided into two businesses. A finance company – Securum – will be created, containing Nordbanken's outstanding non-performing loans and other assets totalling SKr60bn, as well as the administration of a large property portfolio.

The other arm, which will be prepared for eventual privatisation, will consist of Nordbanken's normal commercial banking operations. Credit Suisse First Boston has been appointed to find a new owner as Mrs Wibble insists the state wants to privatise the bank as soon as possible.

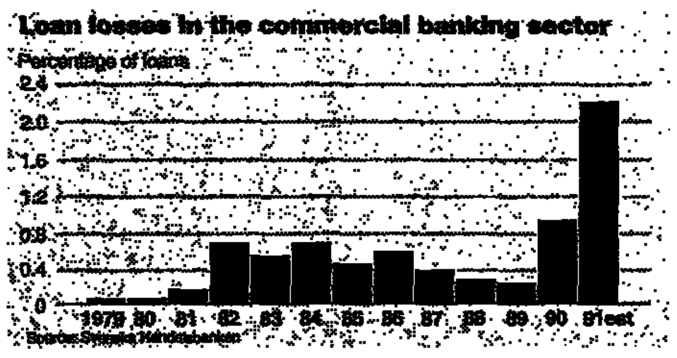
In the present gloomy market it seems unlikely any large foreign institution will be interested in acquiring the bank, although there was widespread speculation *earlier this year that it might* merge with the Gota group. But as Gota is being taken over by Trygg Hansa SPP, this solution appears less likely.

The cost of pulling the whole of the Swedish financial system out *of its present difficulties looks* like being a high one for the long-suffering taxpayer.

The cost to the state of the current rescue operation for Nordbanken is a hefty sum on top of Sweden's already bulging budget deficit of up to SKr80bn.

Government officials privately admit that the state's rescue of Nordbanken could eventually precipitate a comprehensive restructuring of Sweden's banking sector. However, there still seems a long way to go before Sweden can boast a stable banking system and further upheavals cannot be ruled out.

Loan losses in the commercial banking sector



1991 results

Swedish Banks

	OPERATING PROFIT (LOSS) SKr bn	PROVISIONS SKr bn	1991 PROVISIONS AS % OF TOTAL LOANS
S-E Banken	2.3	4.8	1.5
Gota Banken	(2.1)	3.8	4.6
Nordbanken	*(5.8)*	*10.5*	*3.9*
Svenska Handelsbanken	2.8	3.2	1.1
Forsta Sparbanken	(5.5)	5.7	n.a.

EBRD brings banks into east European lending

By Sara Webb in London

THE European Bank for Reconstruction and Development *(EBRD) has for the first time* brought in commercial banks as participants on one of its loans to an eastern European borrower.

The $60m loan, to Polska Telefonia Komorkowa, a Polish joint venture set up last year to build and operate a cellular telephone network in Poland, marks the EBRD's first success in promoting an eastern European borrower on the international public loans market, an important development in its aim of attracting private capital for the region.

The bank – which is looking at several more potential loans – says its priority is to concentrate *on financing* joint ventures with western European partners at first, although it hopes to encourage indigenous corporate borrowers to tap the international loans market eventually.

This year, the bank expects to lend about Ecu1bn ($1.23bn) to eastern European ventures, although it stresses that its aim is "to mobilise additional capital" from commercial banks rather than merely put up its own funds.

"Our strategy is to lend to commercial projects in countries where commercial banks are reluctant to lend," said Ms *Noreen Doyle, the recently-appointed head of syndications at* the EBRD.

She said the EBRD wants to do project-linked loans and longer-term financings, although she warned that lending for certain projects could be hampered by the fact that many of the eastern European countries lack the necessary legal framework to satisfy commercial bankers. "Project financing requires an infrastructure which doesn't exist" in many of these countries, she said.

The EBRD signed its $60m (Ecu47.1m) seven-year loan agreement with the Polish telephone venture PTK last November, and it has now syndicated $20m of the deal to four European banks – Crédit Lyonnais, BNP and Société Générale of France and Internationale Nederlanden Bank (formerly NMB Postbank).

The EBRD is conferring its "preferred creditor status" on the deal in order to encourage the commercial banks to participate. This means that if there is insufficient cash to pay all creditors, the preferred creditors come first.

Ms Doyle stressed that without the participation of the EBRD in the deal, the four commercial banks would probably not have lent. *Normally French banks* must make provisions against loans to the eastern European and Commonwealth of Independent States, but with the EBRD as a lender, the banks will be exempt from this condition.

PTK is a joint venture between the Polish telecommunications network operator, France Telecom Mobiles International (a subsidiary of the French national telephone company), and Ameritech International of the US.

Midland complains to Bank over leak

By David Barchard in London

MIDLAND BANK has complained to the Bank of England that its business could be seriously damaged by the tactics being used by Lloyds Bank in its takeover battle for the UK clearer.

However, the Bank is thought unlikely to intervene. It is anx*ious to remain strictly neutral in* what is becoming an increasingly heated battle between two of the UK's top banks.

Midland claims that Lloyds is raising fears that Chinese control of Hong Kong after 1997 could have a seriously damaging effect on the Midland bank business, should the rival bid from Hongkong Bank succeed.

Midland's alarm follows the appearance in newspapers over the weekend of parts of an early draft of a submission by Lloyds to the Office of Fair Trading.

Senior officials at Midland, including Mr Brian Pearse, chief executive, are convinced that the leak was deliberate.

"Our concern is not so much with the tactic of leaking – which we are accustomed to from Lloyds – but the scurrilous nature of what they are leaking," Midland Bank said last night.

The leaks have stiffened the determination of Midland's board not to disclose confidential commercial information to Lloyds Bank which has already been supplied to Hongkong Bank.

The issue will be considered by the UK Takeover Panel this week.

Midland argues that the two *cases are quite different since* Hongkong Bank has already put in its bid and is a 15 per cent shareholder, while Lloyds is a direct competitor.

Last night Lloyds strongly denied it had leaked information *to the press or that it was run*ning a dirty campaign to destabilise Midland. "We have apologised for the leak and it certainly didn't come from us, since it does us serious harm. We are at least as annoyed about it as Midland is," a Lloyds spokesman said.

Midland is understood to have been particularly upset by implications in the leaked material that it might need fresh capital after the merger. "We are more strongly capitalised than Lloyds," a Midland spokesman said.

He accused Lloyds of skirting over UK competition issues by stressing in its draft submission the possible problems of Hongkong Bank after Hong Kong returns to China in 1997.

Policymakers take a long hard look at Emu

Economics Notebook

By Peter Norman

THE European Community's economic and finance ministers have just spent the weekend in Oporto, Portugal, discussing growth, budgets and employment in the EC.

But although they heard a progress report on moves towards economic and monetary union, there was no critical evaluation of the EC's blueprint for Emu and the implications that it might have for the economic well-being of the community. This is a pity, because, five months on from *last December's Maastricht* summit, the EC's Emu treaty is coming under increasingly sceptical scrutiny among policy makers and analysts.

Interest in the possible negative consequences of *Maastricht* is also growing on the other side of the Atlantic. Indeed, the US administration may yet use perceived defects in the treaty to reinforce its criticism of Europe's slow growth at the Group of Seven world economic summit in Munich in early July.

Last week, Mr Erik Hoffmeyer, the Danish central bank *governor* and *current* chairman of the EC central bank governors' committee, lifted the lid on some worries about Emu preoccupying EC policy makers.

The Emu provisions of the Maastricht treaty were, he said, "weaker than appropriate". Giving the City University Business School's prestigous Mais lecture, Mr Hoffmeyer specifically criticised the skewed relationship between *monetary policy* making, which under Emu will be handled by an independent European central bank, and fiscal policy, which will remain the responsibility of 12 national decision making units.

Similar worries have been expressed by Professor Peter Kenen of Princeton University in a paper* just published by the Group of Thirty, the Washington-based think-tank of eminent persons from finance, business, policy making and academia around the world.

The Maastricht blueprint, says Professor Kenen, is *"imperfect and incomplete"*. The fiscal provisions are too narrow, and pay insufficient attention to the need for the Community to fashion a suitable fiscal stance for Europe as a whole. In addition, he argues that the mandate of the planned European central bank is too restricted and that it should be involved in prudential supervision to safeguard the stability of the EC's financial system.

He observed the Emu negotiations at first hand while holding a six-month Bank of England fellowship. His criticisms therefore have some claim to be taken seriously. He is also concerned that:

- Greece, Italy and Portugal could face real problems meeting the economic convergence *requirements for* Emu.
- Emu could make it harder for the G7 countries to agree policies affecting exchange rates, so leading to volatility in exchange rates between Europe, the US and Japan.
- *The preconditions for joining* Emu that relate to exchange rates and long-term interest rates are of little practical use, and
- There could be problems before the new Europe central bank establishes its counter inflationary credibility.

This latter point worries the US Treasury. Mr David Mulford, the US Treasury undersecretary for international affairs, has spoken of a "possible bias" in the Emu treaty that "might mean a highly conservative stance on growth policies over a period of time".

Translated, this means that the US Treasury fears that the monetary institutions set up in the third and final stage of Emu will have to be "more German than the Germans" and push up interest rates more than would be the case under current rules to establish credibility with the financial markets.

The unequal responsibilities put on monetary and fiscal policy under Emu raise two dangers. On the one hand, Emu, once established, might need to be propped up by unnecessarily high interest rates and so have a deflationary bias. Alternatively, Emu, shackled with such inefficiencies, would be less capable of delivering price stability than the exchange rate mechanism of the EMS.

Both are worrying possibili*ties, which will have to be* addressed by EC finance ministers before too long.

Inflation fears

Virtually all market pundits are expecting Britain's annual inflation rate will move upwards from March's 4 per cent rate when the retail prices index for April is published on Friday.

But some are now warning that the rise will be more than a blip and that Mr John Major's boast of last year that inflation in Britain was *"licked" will turn out to have* been premature.

One inflation bear is Mr Peter Warburton, chief economist of Robert Fleming, a monetarist whose views are treated with respect by senior Treasury officials. Mr Warburton believes that the annual rate of RPI inflation could be 4.8 per cent on Friday (against the consensus view of 4.4 per cent) and that inflation will then move erratically upwards to 5.6 per cent by the end of the year and 6.2 per cent in March 1993.

Mr Warburton argues that the non-traded goods and services sectors will experience a new inflationary upsurge once monetary policy is eased. He believes fiscal indiscipline has stacked up inflationary pressures in the public sector. Capacity destruction during the recession will have limited the scope for non-inflationary growth.

Concentration of market share among a few large retailers and lack of competition among utilities also bode ill for falling inflation.

He also believes commodity prices will be less likely to stay low, especially in the food sector.

Admittedly, this is just one man's view and much will depend on the pace of UK recovery. But Mr Warburton's warnings merit some attention, if only because last week's cut in base rates to 10 per cent anticipated an uneven decline in UK inflation to the end of the year.

**Emu after Maastricht by Peter Kenen, $20 plus $3.00 p&p ($4.50 outside the US), from The Group of Thirty, 1990 M Street NW, Suite 450, Washington DC 10036, USA.*

Pilkington to put £40m into Polish glass plant

By Clive Cookson, Science Editor

PILKINGTON, the UK glass group, is preparing to invest £40m ($70m) to help build Poland's first float glass plant. The deal would represent one of the largest investments so far by a foreign company in Polish industry.

Pilkington and its Polish partner, the state-owned Sandomierz glass maker, started serious negotiations after signing a letter of intent in December 1990. The talks are now close to completion.

The UK company expects to take a stake of about 40 per cent in the venture, which is likely to cost £100m altogether. International development agencies, including the London-based European Bank for Reconstruction and Development, will also make a substantial contribution.

Pilkington showed its interest in the Polish market last week when it announced a much smaller deal to buy 45 per cent of International Glass Poland, a sales and distribution business.

This will enable it to sell float glass imported into Poland from Pilkington plants in western Europe, until the new factory is ready – probably in 1994.

Until now the Polish industry has used the antiquated sheet glass manufacturing process, which has been superseded in the west by float glass technology developed by Pilkington in the 1950s. Only float glass achieves the quality required by the western construction and car industries.

An improving performance that lifted everyone's tails

James Buxton on the much happier frame of mind at Glasgow-based Murray Johnstone

FIFTEEN months ago Murray Johnstone, the Glasgow-based fund management company, presented an unhappy spectacle.

It had been forced to admit failure in its attempt to find a partner who would buy part or all of the company and help it move into a bigger league among fund managers.

Even allowing for the uncertainty then prevailing because of the Gulf war, the company was not presenting either a confident or coherent picture of where it intended to go next. Mr Nick McAndrew, the managing director, was then fidgety and gloomy as he expounded the situation.

Now Mr McAndrew, a 57-year-old former managing director of NM Rothschild, is cheerful and positive as he ticks off a list of recent successes for Murray Johnstone. For example, whereas in February 1991 he was lamenting that the $230m (£130m) under management by Murray Johnstone International, its US-based subsidiary, was too little to be profitable, today MJI is announcing a jump of $150m in its funds under management taking them to $550m.

Looking back, he says: "The six months we spent looking for a partner in the second half of 1990 helped us decide what we wanted to do and we then set out to do it."

That meant tightening up the management of the different sectors of the business and giving them a clearer focus. A number of senior executives left and coupled with the arrival of a new computer system Murray Johnstone's payroll fell from 300 to about 250.

The core of Murray Johnstone is its pension fund management business which, including MJI, accounts for half the £3.4bn it has under management. Then there are its investment trusts, accounting for £900m. The four main ones, led by Murray International Trust, between them own 70 per cent of the fund management company. There are also exempt funds and unit trusts, as well as a venture capital operation, and a personal asset management business.

It was partly the weakness of the pension fund management business which led to the loss of self-confidence which inspired Murray Johnstone to put itself on the market in mid-1990 – an initiative that was disastrously timed because it was almost immediately followed by Iraq's invasion of Kuwait. Poor pension fund performance since 1987 had caused the departure of a series of pension fund clients.

In the summer of 1990 Mr McAndrew brought in Mr Giles Weaver as investment director from London, where he had successfully run Prudential's pension business. He began reorganising the UK pension fund business, both by improving communications with pension fund consultants and trustees, and by re-positioning the different funds in the market.

"The advantage of Giles Weaver was that being new to Murray Johnstone he didn't have friends there. So he could make unpleasant decisions very quickly," says someone at a rival fund management house.

Yet between 1990 and 1991 the value of pension funds under management fell by four per cent and the number of clients dropped from 43 to 34. Although the performance of the funds has improved substantially over that period Murray Johnstone's pension business is suffering from two problems.

First, there is almost always a time-lag in the pension management business between a fund manager's performance improving and new clients being recruited. This is because the consultants who advise pension fund trustees look at the five-year record rather than the short term performance and for Murray Johnstone this record is still cloudy.

"A lot of our success is due to marketing and looking after clients, as well as performance", says Mr Michael Palett, of MJI. "We operate from Chicago. The carpet bag approach of visiting British fund managers is not good any more".

Secondly, a number of clients were lost because some funds under management were reorganised or reassessed following the takeover or merger of the companies they served. Unfortunately for Mr Weaver this process could not be disguised because new clients were not being taken on.

"We're marking time," says Mr Weaver. "Because of the way the business works it could be a year before we start winning new business on a large scale."

In other parts of Murray Johnstone, success is more obvious. In investment trusts the company last year successfully launched a new trust, Murray Split Capital, and recently won a beauty parade to manage the European Project Investment Trust.

The four main investment trusts recently won a collection of awards from Micropal, the performance analysis concern, for investment performance over the past ten years.

Murray Johnstone's relatively small unit trust sector, which Mr Richard Elliott Lockhart was recruited last autumn from Mercury Asset Management to reorganise, pulled off a coup in February by being the first unit trust manager to cut initial charges from five to one per cent. Since then more than 6,000 inquiries have come in and many have been converted into sales.

The venture capital sector is now closing its leveraged buy-out fund having used up almost all the $100m raised – it made £17.7m with the flotation of Burn Stewart, a whisky company in which itn invested £1.5m in 1988 – and is now launching a new fund, the MJ Private Acquisition Partnership, hoping to raise £100m. Mr Geoff Burns who is in charge believes there will be several new opportunities for management buy-outs and buy-ins in the next few years and notes that several venture capital players have left the market.

Mr Weaver has a simple explanation for the buoyant mood which is evident among senior executives at Murray Johnstone. "It's all down to performance. When your investments are doing well it just lifts everyone's tails."

The company decided the Conservatives would win the general election and invested heavily in the UK market accordingly. "We had sleepless nights for a bit but it all came out right in the end."

Maddox poised to make its first UK acquisition

By Roland Rudd

MR HUGO BIERMANN'S recently listed Maddox group is expected to confirm this week that it is on the verge of making its first UK acquisition and is planning several more.

The South African-born entrepreneur, who made a small fortune in 1989 selling the mini-conglomerate Thomson T-Line to Ladbrokes for £186m, three years after buying it for £800,000, is at an advanced stage of talks to acquire a privately-owned cable systems company for around £15m.

The move will refocus Maddox from a pure distributor of wire and cable by adding the servicing and maintainence of electrical wiring systems.

Mr Biermann is both chairman and largest shareholder of Maddox in which he has raised his stake to 26 per cent. He hopes to buy more privately owned companies over the next six months.

Mr Biermann has a reputation as a shrewd deal maker, but has been criticised in the past for lacking the managerial back up to run the companies bought.

To try and answer that criticism Mr Biermann has recruited Mr Nigel Smith from Ladbroke as group managing director. He was installed as MD in Thomson T-line when Ladbroke acquired the mini-conglomerate in 1989.

Maddox, which acquired its listing in March, has two main businesses, Cables and Flexibles, a UK distributor which Mr Biermann bought back from Ladbrokes last year, and Seacoast Electrical Corporation in the US. The group has decided to expand its UK business first.

Mr Biermann believes the liberalisation of telecommunications will offer his company further opportunities in laying cables for new competitors to BT in the UK, while simultaneously expanding on the continent.

Cables and Flexibles recently bought a UK company, Cablelink, whose Belgian subsidiary has won orders with several telephone companies in the Benelux installing cable systems.

BAA to build £60m operations centre

By Vanessa Houlder, Property Correspondent

BAA, the airport company, has announced plans to build a £60m operations centre for British Airways at Heathrow.

BA has agreed to pay an annual rent of £5.2m on the 200,000 sq ft building, which will be completed in early 1994. The project, which will cost £45m to build, will be handled by Lynton, BAA's development arm.

This is one of the largest pre-let property deals in the UK in the last two years.

The new development will stand on a 10 acre site on the north side of the airport. The three-storey building with a curved glass facade has been designed by Nicholas Grimshaw & Partners, architects.

BA believes that the new building, which will replace 7 separate buildings, will save it £1m a year.

BA's move will allow BAA to make better use of its central terminal buildings.

Last year, BAA completed a 170,000 sq ft catering base for BA on the south side of the airport, which was also pre-let.

DIVIDENDS ANNOUNCED

Fleming Far East......fin		1.5	July 6	1.8	1.5	2
Linton Park ....fin		10.5	July 21	10.5	13	13
Worth Inv Trust ....fib		0.1	July 10	0.21	0.1	0.21

Dividends shown pence per share net except where otherwise stated.

Church & Co in Japanese venture

By Jane Fuller

Church & Co, the shoe maker and retailer, is increasing its interest in Japan by launching a joint venture with two Japanese partners.

The group has been exporting its Northampton-made classic shoes to Japan for nearly 30 years and now sells more than 10,000 pairs a year. It is Church's fourth largest export market after France, Italy and the US.

Mr Tony Gledhill, marketing director, said Church Japan would involve Otsuka Shoe, the group's distributor, and Stock & Zenock, a men's clothing manufacturer. Church would hold a majority stake.

The aim was to develop the Church brand name for classic clothes and accessories complementary to the shoes.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Sappi (South Africa)	Hannover Papier (Germany)	Pulp & Paper	£263m	S African breaking out
Joh A Benckiser (Germany)	Coty (US)	Cosmetics	£245m	Pfizer non-core sale
Tyco Toys (US)	Universal Matchbox Group (Hong Kong)	Toys	£75m	Agreed in principle
Waterford Foods (Ireland)	Units of GrandMet (UK)	Dairy products	£57m	GranMet continues Express sales
GN Great Nordic (Denmark)	Rathdown (UK)	Telecoms	£10.8m	Unitech disposal cuts debt
ISA International (UK)	Datarekvisita (Norway)	Computer services	£1.32m	Cash deal
Aspen Communications (UK)	Veenhuizen Reclame (Holland)	Marketing	£0.76m	Cash deal
Archer Daniels Midland (US)	Ogilvie Mills (Canada)	Food	n/a	Industry integration continues
L&C Steinmuller (Germany)	Unit of Tampella (Finland)	Power supply	n/a	Tampella restructuring continues
Oechsle & International Advisers	Unit of Matuschka (Germany)	Financial services	n/a	Matuschka still slimming

Source. FT Mergers + Acquisitions International

South Africa's international rehabilitation provided last week's largest new cross-border acquisition, writes Brian Bollen. The agreement by Sappi, the country's largest pulp and paper group, to buy a 90 per cent stake in Hannover Papier of Germany, the fourth-largest woodfree coated paper business in Europe, is significant for a number of reasons. Not only is it Sappi's second major step into the international arena in less than two years, but it also marks the first time since financial sanctions were introduced in the mid-1980s that a South African company has used its own paper to finance a large acquisition. Sappi, advised by Morgan Grenfell, says the deal, which is subject to various regulatory approvals, enhances its position as an international forest products group. In future, around two-thirds of group turnover and profits will be generated by exports and from non-South African subsidiaries.

The deal also forms an important early part of Sweden's privatisation programme. Sappi is buying 80 per cent of the stake from Ncb, the Swedish state-owned loss-making forestry group which put Hannover Papier up for sale last year. CS First Boston and Handelsbanken Investment Banking advised Ncb.

One company's non-core disposal is another's strategic purchase, as illustrated by a number of deals. German consumer products company Joh. A. Benckiser agreed to buy the Coty cosmetics and fragrance business from Pfizer of the US, which wants to focus on the business strategy of its main healthcare operations. UK electronics components group Unitech sold its Rathdown payphones subsidiary to GN Great Nordic Group, the Danish telecommunications company, as part of its plan to concentrate on its main business in power supplies, connectors and control products.

Annual net losses at Pirelli Tyre grow to Fl 511m

By Ronald van de Krol in Amsterdam

PIRELLI Tyre Holding, the Dutch-listed tyre-making arm of Italy's Pirelli group, saw annual net losses widen to Fl 511m ($275m) in 1991 from just Fl 9m in 1990.

The downturn was caused by difficult conditions on most world tyre markets, reorganisation costs in Europe and the US, and a downwards revision in the market value of Pirelli Tyre's 5 per cent stake in Continental, its German rival and one-time takeover target.

Pirelli Tyre, which is to omit its dividend for the second year running, said it expected results to reach break-even point during 1992. However, it said it could not say whether this would happen early enough to pull the company out of the red for the full year.

Mr Guiseppe Ferrari, finance director, said Pirelli Tyre, which is 80 per cent-owned by the Pirelli group, had made some headway in the 1992 first quarter. "So far, the results are encouraging, showing that we are improving the situation compared with last year."

In November and December, the company pushed through price increases on the car-tyre replacement markets in Europe and North America, and followed this up in May with rises for truck and agricultural equipment tyres in both these regions.

Sales of "original equipment" tyres to automotive producers fell in 1991 as a result of sluggish car sales. Overall, Pirelli Tyre's sales eased to Fl 6.1bn last year from Fl 6.2bn in 1990.

Of last year's loss, slightly more than Fl 200m represented losses on normal business operations, particularly in the US, while a further Fl 250m was set aside for restructuring provisions. At the same time, the value of the company's holding in Continental was revised downwards by more than Fl 40m.

The stake, originally seen as a strategic asset in Pirelli's attempt to merge with Continental, is now regarded as a financial asset. Mr Ferrari said the recovery in the tyre industry may, in the medium term, enable Pirelli to recoup some of the costs of its investment.

GE Capital takes $126m BBV stake

By Peter Bruce in Madrid

GENERAL ELECTRIC Capital of the US has paid $126m for a 1.85 per cent stake in Banco Bilbao Vizcaya (BBV), Spain's most powerful commercial bank. The acquisition is part of a wide-ranging strategic deal which will allow BBV entry into a number of GE Capital's UK credit operations.

In a weekend agreement that finally brought to fruition an idea launched in July, GE Capital has also paid $24m for 45 per cent of BBV's leasing arm, Finanzia. The Spanish bank, in turn, has paid $12m for 9.9 per cent of three GE Capital affiliates in the UK: First Personal Bank, First Personal Insurance and First Personal Insurance Brokers.

The deal makes GE Capital the second largest single shareholder in BBV after the Japanese insurer, Nippon Life, with 2 per cent. The US group intends to use its arrangements with BBV to spearhead a drive into the Spanish and Portuguese markets in leasing and private credit cards, in which it is the world leader.

GE Capital's UK affiliates control a number of prestigious credit card operations, including Harrods and Burtons and, with Finanzia, the two groups plan to create similar business among large Iberian chains. With the entry of GE Capital, Finanzia also plans to enter into project finance – although its objectives still remain undefined – and property finance.

BBV has also spent $20m buying 20 per cent of GE Capital Corporation of Puerto Rico, where it recently also took over Royal Bank of Canada's banking business. Most Spanish banks have now established a strong presence in Puerto Rico, regarded as a key element in developing offshore business from the US.

Turkey ready to court world's banks again

By Richard Waters

TURKEY is preparing to turn back to international banks for cash for the first time since a disastrous attempt to raise $200m foundered last year.

Last year, banks were offered a loan margin of 90 basis points (0.9 percentage point) over the London interbank offered rate (Libor). "It was at least 40 basis points too cheap at the time," one banker said last week.

As a result, the republic is expected to have to pay significantly more to guarantee a successful deal this time around. It has retained a group of banks to lead the deal, among them JP Morgan and Citibank, which will reach agreement on the pricing of the loan by consensus.

Only last week, Turkey offered the equivalent of around 1.8 percentage point over Libor to investors in its first issue of Ecu in the Eurobond market. Bankers said it would probably have to pay even more than that to attract banks to lend it money, given the perceived greater liquidity of bonds compared with bank loans.

Turkey last week narrowly succeeded in achieving investment-grade status when it was awarded a BBB rating from the two leading US rating agencies, Standard & Poor's and Moody's.

US broker fined $36m

MORGAN STANLEY, the US broker, was fined $36m on charges by the state of West Virginia that it was responsible for trades that lost millions of dollars from the state's investment fund in 1987, Reuter reports from Charleston.

A spokeswoman for the firm said it planned to appeal. "We expect it to be overturned on appeal," she said.

West Virginia sued Morgan Stanley over about $40m lost in three deals in which the firm was involved in 1987. Judge Andrew MacQueen had ruled it owed the state $32m from those trades, leaving the jury to rule on whether Morgan Stanley was guilty of fraud.

The spokeswoman said the West Virginia Consolidated Fund, involved in the transactions, realised gains of more than $500m during the period in question, even as it was losing the $32m.

Judge MacQueen had ruled before the trial opened that those trades violated the Consolidated Fund's guidelines.

Taking a provincial telecom into the world market

Bernard Simon looks at Bell Canada's strategy for expanding beyond providing local telephone services

Mr Jean Monty, Bell Canada's chairman, is determined to prove that a medium-sized telephone company can expand and prosper among the giants of the international telecommunications industry.

What it takes, he says, is a careful assessment of strengths and weaknesses.

Bell is Canada's biggest telephone company, with revenues exceeding C$7bn (US$5.8bn) year, profits of almost a C$1bn in 1991 and over 54,000 employees. Its parent, BCE, also owns 53 per cent of Northern Telecom, the telephone equipment supplier. Bell-Northern Research, jointly owned by Bell and Northern Telecom, is Canada's biggest privately-owned R&D establishment.

Mr Monty recognises that Bell has its limitations in trying to compete with such behemoths at AT&T, British Telecom and NTT. "You can't go after an elephant by punching him on the nose," he says.

Although Bell's basic telephone business remains confined to the provinces of Ontario and Quebec, it has recently moved to deepen and broaden its business.

A consortium led by Bell last month bought the Canadian government's controlling interest in Telesat Canada, which owns and operates the country's commercial satellite network.

A reorganisation of Telecom Canada, the domestic long-distance monopoly owned by the nine provincial phone companies, has left Bell as the most powerful shareholder.

Telecom Canada has been renamed Stentor. A senior Bell executive has taken over as president of Stentor Resource Centre, a subsidiary in which the shareholders will pool their national marketing and engineering resources.

BCE, clearly acting as Bell's stalking horse, has acquired a 60 per cent stake and forged a close working partnership with SHL Systemhouse, a data-systems integrator with interests in Canada, the US and Britain.

Bell is also trying to find a way of getting more leverage out of the 22 per cent stake which BCE has in Teleglobe Canada, the company which provides all Canada's overseas telephone services.

A common thread through all these moves is Bell's effort to gain a springboard into the US, from where much of the competition in the Canadian telephone market originates.

Mr Monty says Bell plans to step up pressure on Teleglobe to bring down its overseas rates to attract international traffic from US businesses. The alternative, he warns, is for Bell to do a deal with a US company which would bypass Teleglobe.

Two of Telesat Canada's satellites have a "footprint" which extends almost to the Mexican border. "There will be 'open skies' in the satellite business in North America," Mr Monty says.

Mr Frank Koelsch, a Toronto telecommunications consultant, concludes: "Bell is trying to put together a very powerful organisation while they still have the strength to do it." A government proposal to limit foreign ownership of any telecommunications common carrier to 20 per cent will also benefit Bell.

Much of Bell's most profitable business is threatened by intensifying competition. While the provincial telephone companies continue to be closely regulated by the government, the market for those who 'resell' or share phone services has become a virtual free-for-all.

The bulk of the business previously reserved for Canadian utilities is going to the US. With the help of cut-price resellers, for instance, many Canadian businesses now route their long-distance calls through the US. Some have even moved their data centres south of the border.

The resellers, who buy phone connections at wholesale prices from the telephone companies and then "resell" to big users, have gained a 6 per cent share of Canadian long-distance traffic in the past two years. Bell expects their share to climb to over 10 per cent by 1994. Britain's Cable & Wireless has been among the most successful in penetrating the reseller market in Canada.

Bell is also facing a domestic challenge. Within the next few weeks, the Canadian Radio-television and Telecommunications Commission is expected to open the door for the first time to competition in domestic long-distance service.

Unitel Communications, a joint venture between Canadian Pacific, the transport conglomerate, and Rogers Communications, the country's biggest cable-TV operator, has been fighting for almost a decade to break the long-distance monopoly held by Telecom Canada.

The problem for Bell and the other provincial phone companies is that, although they have halved long-distance charges in the past four years, these calls still provide a huge subsidy to cheap local services.

All local calls in Canada are free. Although any change would be political dynamite, Mr Monty is hoping that regulators will allow the phone companies to start charging for ultra-heavy users, such as the tele-marketing companies which use computerised dialling machines.

Bell has also argued that if Unitel is allowed to compete for lucrative long-distance traffic, it should make a contribution towards the cost of maintaining free local calls. Bell has threatened to cut its investment in local services if Unitel is given an unfair advantage in the long-distance market.

The bottom line for Bell and the other provincial utilities, however, is that they must move fast to bring down costs and improve services.

Bell recently accelerated the conversion of its local network to digital equipment. The work is now due for completion by 1994, three years earlier than planned.

A digital network allows the phone companies to offer lucrative value-added features to subsidise the cheap basic service. Among the newest features is one which allows a household telephone to be used as an answering machine. Bell can also programme one telephone to ring in several different tones, depending on which member of a family is being called.

UK GILTS

Dealers adjust to rush of new issues

GILT PRICES dipped at the long end, as the market adjusted to a rush of new gilt issues and last week's expected cut in UK base rates.

However, with few indications that significant inflationary pressures will reappear over the next few months, the fundamental outlook for the securities appears strong.

The gilt market will focus over the next few days on a spate of economic data related to the UK, in particular on inflation.

The most frequently used measure of headline inflation is expected to show an increase for last month. However, other ways of examining price rises indicate that demand levels in the economy remain weak, in a conclusion that should sustain buying interest in gilts.

Some gilt analysts disagree with this conclusion, pointing to relatively high increases in average earnings across the economy in recent months. Another worry for some economists is the high level of inflation as measured by the prices of services, in contrast to those of merchandise goods.

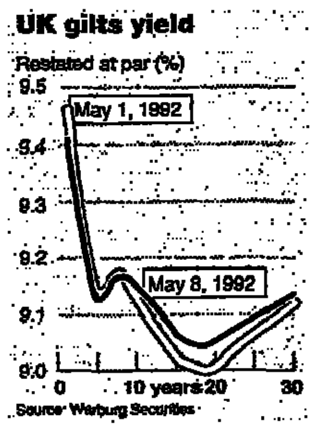
However, last week concern on this score appeared muted. The main reason for the general softness in gilt prices was the effects felt by the market in digesting roughly £9.5bn worth of gilts issued by the Bank of England over the past five weeks.

However, indicating some investors' preoccupation with inflation, the index-linked sector of the gilt market performed well. The 2½ per cent index-linked stock payable in 2016 saw a yield drop of 17 basis points (0.17 percentage points), with the bond yielding 4.55 per cent on Friday night.

The overall lure of gilts to many investors was underlined by last week's absorption by the market of £1bn worth of gilts, made available by the Bank on Tuesday. That took the form of a £800m tranche of 8¾ per cent Treasury bonds maturing in 1997, and £200m of 2½ per cent index linked stock payable in 2013.

The Bank is also issuing today a further £200m of index-linked gilts, in the form of two equal tranches of 2½ per cent Treasury stock. One of these tranches is due in 2011 and available at a price of 134⅛, and the second matures in 2016 and is being priced at 117¾.

Last week's cut in bank base rates – from 10.5 to 10 per cent – was well flagged in advance by the Bank. It led to a small fall in yields at the shorter end of the yield curve, while gilts with maturities beyond the 5-year range base experienced a yield increase of about 3 basis points, with a corresponding small fall in prices.



Source: Warburg Securities

As for inflation, attention will focus on the Central Statistical Office's release on Friday of the rise in the retail prices index in the year to April. This is expected to be some 4.4 per cent, as compared with 4 per cent in March.

Much of the likely increase, however, can be explained by technical factors related to distortions in the RPI as measured in April 1991. According to an index constructed by Greenwell Montagu, underlying inflation, stripping out factors such as seasonal food and other distorting influences, is likely to measure 5.1 per cent in April, as opposed to 5.5 per cent in March.

The gilt market will also fix its eyes on Thursday's figure for the underlying rise in average earnings across the economy in the year to March. There will be some disappointment if the figure fails to come down from February's 7.25 per cent year-on-year level.

Peter Marsh

US MONEY AND CREDIT

Jobs surprise may put Fed action on hold

THE Treasury bond market's hopes of another easing in monetary policy by the Federal Reserve seem to have been put on temporary hold as a result of better-than-expected jobs figures for April.

However, judging by the market's ability to shrug off ultimately the news that some 126,000 non-farm jobs were created in April, it would appear that traders still think a quarter-point cut in the Fed funds target is likely, possibly in the early part of June.

Trading was extremely volatile on Friday, as the market absorbed the news of a tiny drop in the unemployment rate, from 7.3 to 7.2 per cent, looked more closely at the figures, remembered the weakness of money supply, and then rallied.

The market had been in a reasonable mood last week as some $36bn of quarterly refunding went well. The weakening of money supply figures, including a $9.7bn drop in M-2 for the week ended April 27, also encouraged investors, who believed a rate cut by the Fed was around the corner.

It was in this environment that the initial reaction to the new jobs figures was a brief mark down, especially as a Federal Reserve staffer was quoted as telling Market News that a further Fed easing was now unlikely "since the economy is expanding".

Yet Ms Maria Ramirez, the capital markets analyst, pointed out that 75 per cent of the 126,000 increase in jobs were temporary service sector positions that, in any case, tend to be over-estimated. Only 8,000 of the new jobs were in manufacturing, hardly an indication of a boom, or even of a rosy recovery.

The bottom line, as the bond watchers at Salomon Brothers noted, is that the jobs data, while stronger than expected, will not challenge the 7¾ per cent to 8⅛ per cent trading range in which bonds have lingered for the past three months.

The pace of expansion *should remain moderate*, keeping the bond market deadlocked in this trading range, Salomon said.

The yield curve also remains extremely steep, with about 300 basis points separating two-year notes and the benchmark 30-year bonds. The 30-year paper was yielding 7.89 per cent on Friday, which represented a rally of nearly one point on the day.

Looking ahead, some economists are arguing – and presumably many in the bond market agree – that the Fed will want to do more to stimulate bank lending and perhaps money supply growth as well. The so-called credit crunch is meant to be tapering off, and there have been encouraging signs that regional bank lending is growing much more than the sluggish 1 per cent average annual rise in loans for all banks.

Inflation should not be a worry for the Fed, according to most analysts. The forecasts for *next week suggest a rise in* the April producer price index (PPI), of 0.2 to 0.3 per cent, and in the consumer price index (CPI), of 0.1 to 0.3 per cent.

By the same token, expectations for April retail sales – a decline of between 0.1 and 0.5 *per cent – also point to an* economic environment that could well be conducive to a rate cut by the Fed.

The jobs data may have, therefore, been more a flicker of hope – especially for those politicians wishing to portray America in solid recovery – than a decisive trend-setter. It's still a near-sighted market.

Alan Friedman

Latest US interest rates now appear on the Currencies, Money and Capital Markets page

EUROPEAN BONDS

UK and French easing test accepted ERM wisdoms

LAST week tested some accepted truths about the behaviour of European bond markets in the exchange rate mechanism. The UK and French governments both managed to ease monetary policy despite continued pressure for higher rates in Germany.

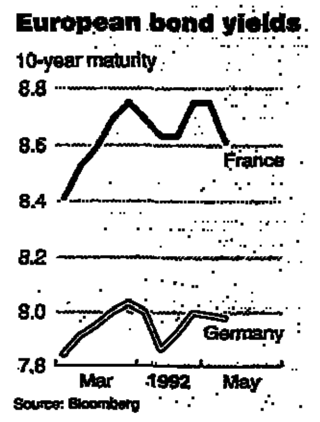
Admittedly, the UK gilts market was rather churlish in response to Tuesday's ½-point cut in UK base lending rates. Bond prices fell by a similar ½-point on the day at the 10-year maturity as investors took profits.

The French market was kinder to it's government, which reduced the reserve requirements imposed on banks, also allowing them to cut base lending rates by ¼-point. Bond yields at the 10-year maturity were 8.61 per cent by the close on Friday, from 8.75 per cent at the start of the week.

Both governments were able to engineer an easing of monetary conditions without sending shock waves through the bond or foreign exchange markets.

Despite the initial bout of selling, gilts prices and sterling closed higher on the week. The French franc remained comfortably within its ERM limits.

This seems to contradict the received wisdom that Germany now sets interest rates for the rest of Europe. There was certainly little prospect of Germany cutting interest rates last week.



Source: Bloomberg

Money supply growth, one of the Bundesbank's key measures, is running well above the target range. Consumer price inflation may have peaked, but it will only decline slowly from here on. The latest round of wage settlements are higher than the authorities would like to see.

Indeed, there were sighs of relief on Thursday when the Bundesbank council opted not to *raise* rates.

Analysts warn against reading too much into the events of last week and buying into French OATs and UK gilts on expectations of sharply lower rates and bond yields.

The consensus among economists was that the French and UK last week exhausted any leeway they had to ease monetary policy and push bond prices higher.

Little wonder that the French prime minister, and former long-serving finance minister, Mr Pierre Bérégovoy, opted not to sanction a cut in the Bank of France money market intervention rate – the most direct method of easing monetary conditions. By reducing reserve requirements, he helped to cut the cost of credit in France's sluggish economy, yet kept money market conditions fairly tight.

Last year, Mr Bérégovoy was caught cutting the intervention rate before the markets thought such a move was justified. Rates were promptly put back up. He was clearly keen not to repeat the experience.

This realism may also explain the muted reaction of the gilts market to last week's cut in rates. Many economists forecast just one more cut in UK interest rates before the year end. This is reflected in the UK money markets, where interbank funds are changing hands a shade above the new 10 per cent base lending rate at all maturities.

On a more positive note, European bond yields do not look to be moving any higher. Investors appear unwilling to push German 10-year bund yields above 8 per cent. French 10-year yields now appear to have retreated decisively from the 8.75 per cent level tested in March and April.

Simon London

Portuguese paper loses its shine

AMONG the higher-yielding European bond markets, Portugal has been the clear winner over the past month. But the shine on escudo bonds has become tarnished in the past fortnight, and may lose further lustre in the weeks ahead, writes Richard Waters.

The rush by international investors into Portuguese bonds at the start of April, prompted by escudo's entry into the exchange rate mechanism of the EMS on the wide band, wiped nearly 1 percentage point off the gross yield on five-year, fixed-rate bonds. Although there were plenty of people predicting Portugal's ERM entry at the end of its six-month presidency of the EC, it did not stop the rush.

Since the middle of April, however, things have been different. The 12.5 per cent gross yield on five-year bonds has widened to around 12.75 per cent as the initial excitement has eased. International investors are banned from buying higher-yielding floating-rate paper, a ruling introduced last summer and extended this year to keep international speculators out of the market.

The yield could be set to rise further: after the 20 per cent withholding tax, the current net yield is close to the 10.88 per cent available on 10-year Spanish bonds. Should the latest figures from Spain show inflation much below 7 per cent, investment in Portugal will begin to look expensive.

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	106¼	+⅛	5.95
ABN 9 1/8 94	200	105¼	+⅛	6.56
AETNA LIFE & CAS 7 3/4 16	200	102¼		7.54
ALBERTA PROVINCE 8 5/8 96	750	105⅜	+⅛	7.18
ALBERTA PROVINCE 9 3/8 95	600	107⅜	+¼	6.73
AMERICAN EXPRESS ZERO 00	450	48⅜	+⅜	8.72
AMERICAN GENERAL 9 3/4 95	100	105⅝		7.65
AMERICAN INTL 0 04	750	36	+½	8.68
ASIAN DEV BANK 0 04	1000	36¼	+⅝	8.47
ASIAN DEV BANK 8 96	100	102¾	+¼	7.35
AUSTRALIA 11 95	200	111	+⅛	6.88
AUSTRIA 7 3/4 97	200	102	+⅜	7.23
AUSTRIA 8 1/2 00	400	104½	+½	7.69
AUSTRIA 9 1/4 96	100	107½	+¼	7.09
BANK OF TOKYO 8 3/8 96	100	103⅜	+¼	7.34
BARCLAYS JERSEY 10 5/8 95	250	110½	+⅛	7.19
BAYER USA 8 1/4 96	150	103⅜	+⅜	7.33
BELGIUM 8 97	300	103⅜	+⅜	7.13
BELGIUM 8 3/4 98	400	105½	+½	7.56
BELGIUM 9 2 10	500	108¼	+⅝	8.30
BELGIUM 9 5/8 98	250	109½	+⅝	7.63
BFCE 7 3/4 97	150	102	+¼	7.24
BFCE 9 1/4 95	150	107⅜	+⅛	6.69
BNP 8 5/8 94	300	105⅜	+⅛	5.85
BOOTS 9 97	175	104⅜	+¼	7.73
BP AMERICA 9 3/4 99	250	108⅜	+⅜	8.00
BP CAPITAL 9 1/8 94	75	105¼	+⅛	6.11
BPCA FINANCE 8 3/8 98	150	102⅝	+⅝	7.86
BRITISH GAS 8 3/8 99	350	103½	+⅝	7.72
BRITISH TELECOM FIN 8 3/4 99	200	105⅝	+⅝	7.74
BRITISH TELECOM FIN 9 3/8 98	250	108	+¼	7.75
CAISSE NAT ENERGIE 11 3/4 95	125	112⅞		6.46
CAMPBELL SOUP 10 1/2 95	100	102¼	-⅛	9.64
CANADA 9 96	1000	107⅜	+⅜	6.65
CANADA 10 95	500	110½	+⅛	6.55
CANADIAN PACIFIC 7 1/2 96	100	99⅜	+⅜	7.69
CARCO 9 1/4 96	650	104¼	+½	8.05
CARIPLO 8 3/4 98	200	103½	+⅜	8.08
CATERPILLAR FIN SERV 0 94	140	89⅞	+⅜	6.26
CCCE 8 3/4 99	200	105⅜	+½	7.69
CCCE 9 1/4 95	300	107½	+¼	6.24
CENTRUST SAVINGS 0 10	1200	13⅜	+⅜	11.99
CHEVRON CORP 8 1/4 96	300	102⅞	+½	7.45
CHUBU ELEC POWER 8 1/4 98	350	101⅞	+½	7.85
CNCA 7 1/2 94	150	102⅞	+⅛	5.73
CNT 8 1/2 93	160	102¼	+¼	5.39
COCA-COLA AMATIL 7 5/8 96	175	101⅝	+⅜	7.17
COMM BK AUSTRALIA 10 93	100	106	+⅛	5.64
COMP BANCAIRE 8 1/4 94	250	104½	+⅛	6.05
COUNCIL EUROPE 8 96	100	103¼	+⅛	7.11
CREDIT FONCIER 7 1/2 94	150	103	+⅛	5.53
CREDIT FONCIER 9 1/4 95	200	107¼	+¼	6.64
CREDIT FONCIER 9 1/2 99	300	109½	+⅛	7.64
CREDIT LOCAL 8 7/8 99	250	106	+⅜	7.77
CREDIT LYONNAIS 9 96	300	106¼	+⅛	7.23
CREDIT NATIONAL 7 3/4 94	200	103⅜	+⅛	5.75
CREDIT NATIONAL 8 1/4 93	200	103¼		4.79
DAIMLER-BENZ NA 8 98	250	102⅝	+⅜	7.50
DENMARK 0 98	250	64⅛	+⅜	7.37
DENMARK 7 3/4 93	250	102⅞	+⅛	4.80
DENMARK 8 1/4 96	150	104⅝	+⅜	5.99
DENMARK 9 1/4 95	1571	107⅜	+¼	6.35
DEUTSCHE BK FIN 9 3/8 99	200	108¼	+⅛	7.81
DKB ASIA 8 93	100	102⅞		5.81
DSM 8 1/2 96	150	103⅞	+⅛	7.37
DU PONT DE NEMOURS 8 1/2 96	250	104⅜	+⅜	7.04
ECSC 8 1/4 96	193	104¼	+⅛	7.14
EEC 7 1/4 93	250	102	+⅛	4.68
EEC 8 1/4 96	100	104¼	+⅛	7.02
EIB 7 3/4 96	250	103¼	+⅛	6.85
EIB 9 1/4 97	1000	108⅜	+⅜	7.25
EIB 9 1/2 99	200	109⅜	+⅜	7.60
EIB 10 97	250	111⅜	+⅜	7.17
EKSPORTFINANS ZERO 94	360	86⅜	+⅜	6.16
EKSPORTFINANS 7 7/8 96	200	102⅜	+¼	7.26
EKSPORTFINANS 8 1/8 95	200	104½	+¼	6.41
ELEC CORP N ZEALAND 9 3/8 96	200	106	+¼	7.64
ELEC DE FRANCE 9 98	200	106⅜	+⅜	7.50
ELEC DE FRANCE 9 1/2 95	250	108¼	+¼	6.72
ENERGIE BEHEER 9 95	300	106⅝	+⅛	6.75
ERICSSON LM 7 7/8 96	150	100¼	+¼	7.79
EURATOM 7 3/4 97	247	101¼	+⅜	7.38
EURO CRED CARD TST 9 94	325	104⅞	+¼	6.90
EURO CRED CARD TST 9 1/2 95	845	105⅝	+¼	7.58
EUROFIMA 9 1/4 96	100	107⅜	+⅛	7.02
EUROFIMA 10 1/8 93	100	104¼	+⅛	4.85
EX-IM BANK JAPAN 9 1/2 00	200	109⅝	+½	7.89
EX-IM BANK JAPAN 9 3/4 99	200	110½	+½	7.75
EXPORT DEV CORP 8 5/8 00	200	104⅞	+½	7.77
EXPORT DEV CORP 9 1/2 98	150	109¼	+⅝	7.59
EXXON CAPITAL 0 04	1800	36¼	+⅜	8.47
FARM CRED CORP 7 1/2 93	100	102⅞	+⅛	5.80
FARM CRED CORP 7 3/4 96	100	102⅞	+¼	7.05
FERRO DEL STAT 8 1/2 93	500	103⅞		4.24
FERRO DEL STAT 9 1/8 09	1000	108⅝	+⅝	8.19
FINLAND 7 7/8 97	200	101⅜	+⅝	7.50
FINLAND 9 96	850	106½	+⅜	7.10
FINNISH EXPORT 7 3/4 94	250	103⅞	+¼	5.83
FINNISH EXPORT 9 3/8 95	200	107⅝	+¼	6.85
FORD CAPITAL 9 3/4 97	250	106¼	+1¼	8.07
FORD MOTOR CREDIT 11 96	100	110¼	+⅝	7.67
FUJI HEAVY 8 3/4 99	300	102⅞	+½	8.30
GEFCO 7 5/8 97	150	101¼	+½	7.30
GEN ELEC CAPITAL 9 3/8 96	300	107⅜	+½	7.11
GEN ELEC CAPITAL 9 5/8 94	200	107⅜	+¼	6.34
GENERAL ELECTRIC 9 1/8 93	500	104⅜	+⅛	5.47
GMAC 9 1/8 96	200	104½	+⅜	7.72
GUINNESS FINANCE 8 94	200	103⅝	+¼	6.15
HALIFAX 9 3/8 95	200	106¼	+¼	6.73
HOECHST INVEST 8 1/4 97	100	102½	+⅜	7.61
IBM INTL FIN 7 3/4 94	200	103½	+⅛	5.79
IBM WORLD TRADE 7 5/8 93	150	102⅝		5.75
INI BANK 8 5/8 94	500	105¼	+¼	6.12
IND BK JAPAN FIN 7 7/8 97	200	101	+⅛	7.62
INTER AMER DEV 7 5/8 96	200	102¼	+⅛	6.99
INTER AMER DEV 9 1/2 00	300	109½	+½	7.84
INTL FINANCE 8 3/4 96	200	106¼	+⅜	6.96
INTL FINANCE 9 1/4 95	300	107⅜	+⅛	6.43
IRELAND 9 1/2 00	250	107⅞	+⅜	8.13
ITALY 8 1/2 94	1500	106⅜	+¼	5.63
ITALY 9 1/8 96	150	106⅞	+⅛	7.00
ITALY 9 5/8 99	2000	110¼	+½	7.65
JAPAN DEV BK 8 94	150	104¼	+⅛	5.72
JAPAN DEV BK 9 1/2 97	150	108⅜	+⅜	7.34
JAPAN DEV BK 10 96	200	110½	+¼	6.99
JAPAN FIN CORP 9 7/8 96	150	109⅞	+⅛	6.82
JAPAN HIGHWAY 8 5/8 01	300	104¼	+⅜	7.95
JAPAN HIGHWAY 9 5/8 96	180	108¼	+⅛	6.83
KANSAI ELEC PWR 10 96	350	109¼	+⅛	7.04
KANSAI INTL AIRPORT 9 96	150	106½	+¼	7.23
KANSALLIS-OSAKE 8 1/2 95	200	102⅛	+¼	7.64
KFW INTL FINANCE 9 94	300	106⅜	+⅛	5.99
KOBE 8 7/8 99	150	105⅜	+⅛	7.86
LIBERTY MUTUAL 8 1/2 96	150	102	+⅛	7.90
LINCOLN NATIONAL 9 3/4 95	100	105½	+⅛	7.84
LKB BADEN-WUERTT 7 3/4 94	200	103¼	+⅛	6.03
LTCB FIN 8 97	200	101	+⅛	7.72
MANITOBA 7 1/2 96	150	100¼	+¼	7.42
MARKS & SPENCER 8 1/4 96	150	103¼	+¼	7.16
METLIFE FUNDING 7 3/4 96	150	100½	+⅜	7.59
MITSUBISHI ESTATE 8 5/8 01	200	101¼	+⅜	8.43
MITSUI TST FIN HK 7 3/4 94	200	102⅞	+⅛	6.27
MOBIL AUSTRALIA 8 94	200	104	+⅛	6.00
MONY FUNDING 8 1/4 96	150	89¼	+1¼	11.42
NEW ZEALAND 9 94	850	106	+⅛	6.11
NEW ZEALAND 10 1/4 95	200	102¼	+⅛	9.37
NEWFOUNDLAND 11 3/8 95	75	110¼	+⅛	7.22
NIPPON CRED BK 10 3/8 95	150	108½	+⅛	7.26
NIPPON TEL & TEL 9 3/8 95	200	107⅝	+½	6.41
NOMURA INTL 9 3/8 95	150	105⅜	+⅜	7.10
NORDIC INV BANK 0 94	150	87	+⅛	6.13
NORINCHUKIN BANK 8 5/8 97	200	104¼	+⅝	7.53
NORWAY 7 96	1000	100	+⅜	6.99
ONTARIO 8 1/2 01	600	101⅝	+¼	8.23
ONTARIO HYDRO 11 5/8 94	200	109		6.02
OSLO 7 7/8 97	150	101¼	+⅛	7.57
OSAKA PREFECTURE 8 1/2 94	140	105¼	+⅛	5.98
OSTER KONTROLLBANK 8 1/2 01	200	104	+½	7.85
OSTER KONTROLLBANK 9 95	200	107⅛	+¼	6.52
OSTER POSTSPARK 10 1/2 94	150	108¼		5.89
PANASONIC FIN 9 3/8 96	300	106	+⅛	5.84
PETRO-CANADA 7 1/4 96	200	100⅞	+¼	6.99
PETROBRAS 10 96	200	97		11.17
PHILIP MORRIS 9 7/8 98	200	105⅝	+¼	8.53
PROCTER & GAMBLE 10 95	150	101⅝		9.36
PRUDENTIAL FIN 8 1/4 01	300	98⅝	+⅝	8.49
PRUDENTIAL RLTY SECS 0 99	365.216	39½	+⅝	8.07
QANTAS AIRWAYS 8 5/8 96	97.75	104⅛	+⅛	7.28
QUEBEC HYDRO 9 01	300	103⅜	+⅛	8.43
QUEBEC HYDRO 9 3/4 98	150	108⅞	+⅛	8.06
QUEBEC PROV 9 98	200	104⅞	+⅛	7.93
QUEENSLAND GOVT 10 1/4 95	100	109⅞	+⅛	6.97
RALSTON PURINA 11 3/4 95	150	111	+⅛	7.49
REED PUBLISHING 9 5/8 97	150	107	+⅛	7.91
SAINSBURY 9 1/8 96	150	105⅜	+¼	7.52
SAS 10 99	200	105⅜	+¼	8.85
SAS 10 1/8 95	150	107⅞	+⅛	7.72
SBAB 9 1/2 95	500	107⅜	+⅛	6.66
SBC FINANCE 7 3/4 96	200	102⅝	+½	6.98
SEAGRAM CO 8 1/2 96	100	102¼	+⅛	7.82
SEARS EURO TRUST 8 3/4 96	750	103⅜	+½	7.76
SEARS O/S FIN 0 98	500	61	+⅜	8.33
SEARS ROEBUCK EURO 9 3/4 95	500	105⅜	+⅛	7.63
SNCF 7 1/4 94	175	102⅛		5.51
SNCF 9 1/2 98	150	109¼	+⅛	7.59
STATE BK NSW 8 1/2 96	200	103½	+⅛	7.48
STATOIL 7 5/8 94	200	102⅝	+⅛	6.22
SWEDEN 8 1/8 94	150	104¼	+⅛	5.96
SWEDEN 9 1/4 98	350	107⅝	+½	7.51
SWEDISH EXPORT 8 3/8 96	700	104⅜	+⅜	6.91
TAIYO KOBE 7 3/4 94	100	102⅝		6.22
TOKAI ASIA 11 1/2 95	100	111		7.35
TOKYO ELEC POWER 8 3/4 96	300	105¼	+⅛	7.26
TOKYO METROPOLIS 8 1/4 96	200	103⅜	+⅛	7.19
TOKYO METROPOLIS 9 1/4 94	200	106¼	+⅛	5.79
TOYOTA MOTOR CRED 8 1/2 94	200	105¼	+⅛	5.99
UBS FIN 9 1/8 02	225	106½	+⅛	8.12
UNILEVER CAP CORP 9 1/4 00	400	107⅜	+½	7.89
UNION BK FINLAND 8 94	200	102½	+⅛	6.64
VENEZUELA 9 3/4 96	150	99⅜	+⅛	9.98
VICTORIAN PUB AUTH 8 3/8 96	100	102⅝	+⅛	7.64
WARNER-LAMBERT 8 1/8 96	100	102⅜	+¼	7.30
WORLD BANK 8 1/8 01	1500	103¼	+⅛	7.77
WORLD BANK 8 3/8 99	1500	105⅝	+⅛	7.55
WORLD BANK 8 3/4 97	1500	107⅜	+⅛	7.04
XEROX CORPN 8 3/8 96	100	101⅞	+½	7.83
YOKOHAMA 8 01	200	100¼	+⅛	7.93

FLOATING RATE NOTES	Issued	Bid price	Chg on week	C.cpn
ALASKA HOUSING 1/10 01	125	98.95	-.01	4.4125
ALLIANCE & LEICS 0.08 94 £	300	99.58	+.04	10.6425
ALLIANCE & LEICS 0.1 95 £	150	99.92	-.01	10.6000
AMERICAN EXPRESS BK 1/8 99	200	93.12	-.01	4.3750
ANGLIA 1/8 98 £	100	99.83	+.01	10.6250
ANZ BANKING 0.15 PERP	300	74.70	+.07	4.4625
AUSTRIA -0.15 05 DM	700	98.70		9.4750
BANCO ROMA 0.03 01	200	92.92	+.02	4.4050
BANK NEW YORK 3/16 97	200	96.31	+.03	5.2500
BANK OF GREECE 1/4 99	250	97.59	+.28	4.7500
BANK OF MONTREAL 1/20 98	250	97.07	+.09	4.3000
BANKERS TRUST 1/16 00	300	97.00	+.21	5.0000
BANKERS TST INTL CAP 1/8 96	200	98.99		5.2500
BANQUE INDOSUEZ 1/4 97	125	100.13	-.03	5.3125
BARCLAYS O/S INV 1/8 04	350	96.32	-.06	5.0000
BBL INTL 0.05 01	200	94.97	+.01	4.5500
BCI 0.15 98	300	95.63	+.06	4.7750
BELGIUM 94	200	100.06	-.01	4.1250
BELGIUM 96	400	99.97		4.1875
BELGIUM 00 ECU	250	99.97	+.02	10.1563
BELGIUM 1/16 97 DM	500	99.95		9.6875
BFCE -0.02 96	350	100.16		4.9175
BILBAO INTL 0.035 01	150	98.38	-.06	4.2225
BIRMINGHAM MID 1/8 98 £	150	99.70	+.02	11.0000
BNP 1/4 95	400	101.86		5.2500
BNP 05	300	97.76	-.02	5.2500
BRADFORD BINGLEY 1/8 98 £	100	99.05	+.02	10.9375
BRISTOL & WEST 1/16 94 £	150	99.44	+.01	10.6250
BRITANNIA 1/10 96 £	150	99.08	+.02	10.6625
CCCE 06 ECU	200	99.91	-.01	9.8594
CHASE MANHATTAN 1/8 09	400	84.01	+.18	5.2500
CHASE MANHATTAN 1/16 00	250	92.02	-.04	5.0000
CHELT & GLOUC BS 1/16 94 £	125	99.64	+.02	10.4375
CITIZENS FED 0.15 96	100	99.47	+.05	5.0000
COMM BK AUSTRALIA 0.15 PERP	300	98.52	+.02	4.1500
CREDIOP 97 ITL	200000	102.45	+.05	11.4500
CREDIT DU NORD 1/16 97	100	99.14	+.02	5.2500
CREDIT FONCIER -1/16 98	200	100.31		5.0000
CREDIT LYONNAIS 1/8 99	250	98.36	+.03	5.2500
DENMARK -1/8 96	1000	99.72		4.1875
DRESDNER FINANCE 1/32 98 DM	1000	99.97	+.02	9.5938
EIB -1/4 01 ECU	400	102.20		10.0625
ELEC DE FRANCE 1/8 99	400	101.14	+.02	5.2500
FERRO DEL STAT 94	200	101.04	-.2	4.4375
FERRO DEL STAT 97	420	100.10	-.08	4.4375
FLEET FINANCIAL 1/10 98	100	93.46	+.14	4.5375
FUJI BANK 1/4 00	700	98.16	+.07	4.6250
GRACECHURCH MORT 0.2 19 £	175	98.51		11.0750
HALIFAX 1/10 94 £	200	99.91		10.5375
HALIFAX 2/25 96 B £	150	99.45	+.02	11.1425
HESSISCHE LANDESBK 96	100	99.02	+.01	4.6250
HK SHANGHAI (L) 1/4 PERP	400	72.13	-.17	5.0000
ICELAND 1/8 00	125	99.43	+.01	5.2500
INVESTORS IND 1/8 94 £	125	99.45	+.02	10.5000
IRELAND 98	300	99.72	-.01	4.4600
ITALY 00	500	101.01	-.06	4.5000
ITALY 05 B ECU	1000	100.68	+.09	10.1016
KB IFIMA 0.15 11	150	86.66	+.07	5.0000
KOREA DEV BANK 1/16 97	200	98.71	+.01	4.3125
LEEDS PERMANENT 1/8 96 £	200	99.40	+.01	10.9375
LLOYDS BANK 1/10 PERP S.3	600	77.83	-.37	4.5375
LUFTHANSA INT FIN 00 DM	1200	97.58	+.01	9.8438
MALAYSIA 1/16 05	650	96.05	-.01	5.2500
MELLON BANK 1/8 96	250	97.24	+.08	5.2500
MIDLAND INTL FIN 1/8 99	200	94.54	+.14	5.0000
MITSUI FIN ASIA 1/8 96	100	99.96		5.2500
MORGAN J.P. 0.05 97	200	99.62	+.02	5.2500
MORT FUND A-1 0.35 35 £	100	99.84		10.9750
NAT BK CANADA 1/16 96	200	98.71		4.0625
NAT WEST FIN 3/16 05	400	92.58		4.3750
NAT WEST 1/4 PERP C	500	79.90	-.66	4.3750
NATIONWIDE 0.08 96 £	300	98.85	+.03	10.8300
NATL PROVINCIAL 1/8 96 £	200	99.36	+.01	11.0000
NEW ZEALAND 1/8 96	250	100.26	+.01	4.8130
NORTHERN ROCK 1/8 95 £	100	99.85	+.01	10.6250
OSTER KONTROLLBK -0.15 95 DM	300	99.54		9.3500
PNC FIN 1/16 97	100	97.19	+.06	5.2500
QUEBEC HYDRO 02	200	95.48	-.09	4.7500
QUEBEC PROV 01	300	96.38	-.05	4.1250
REGIE OLYMPIQUES 94	250	99.91	+.01	5.0000
RENFE 98	500	99.95		5.0000
SECURITY PACIFIC 1/16 97	250	96.57	+.09	5.0000
SKANDINAVISKA ENSK 95 DM	400	98.99	+.01	9.3125
SOCIETE GENERALE 96	300	99.79	+.02	4.5625
STAATSBK BERLIN 0.05 94 DM	4000	100.14		8.8000
STATE BK NSW 3/16 98	250	99.60		4.2500
STATE BK VICTORIA 0.05 99	125	98.73		4.3625
SWEDBANK 1/4 98	250	99.93	+.01	4.5000
TOWN & COUNTRY 0.1 94 £	100	99.45	+.05	10.6625
UNION BK FINLAND 00 DM	300	97.69	-.1	9.3125
UNITED KINGDOM -1/8 96	4000	100.00		4.0625
WELLS FARGO 1/8 97	250	95.57	+.37	5.2500
WOODSIDE FIN (JULY) 97	300	99.80		5.2500
WOOLWICH EQUITABLE 1/16 95 £	150	99.65	+.06	10.6000
YORKSHIRE BS 1/10 94 £	165	99.65	+.02	10.5375

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
BURTON GROUP 4 3/4 01 £	110	131¼		
CHUBB CAPITAL 6 98	250	102	+1⅛	+30.20
EASTMAN KODAK 6 3/8 01	300	99⅜	+1¼	+25.96
GOLD KALGOORLIE 7 1/2 00	65	82⅛		+62.46
HANSON 9 1/2 06 £	500	108⅜	+1⅝	+17.16
HAWLEY 6 02 PREF	400	102¼	+⅜	
HILLSDOWN 4 1/2 02 £	150	119⅜	+⅜	
LAND SECS 6 3/4 02 £	84	83⅜	-⅛	+28.20
LASMO 7 3/4 05 £	90	78⅜	+⅛	+45.66
MITSUI BANK 2 5/8 03	200	59⅜	-⅛	+31.29
MOUNT ISA FIN 6 1/2 97	100	98⅜	+¼	+13.45
OGDEN 6 02	85	81⅜	-⅛	+59.99
PIONEER CONCRETE 9 1/2 98 A$	175	100¼	+1½	+11.56
ROCKEFELLER CENTER 0 00	952.25	33⅜	+⅛	-56.74
SEGA ENTERPRISES 3 1/2 96	200	97⅜	+1½	+43.17
SMITH & NEPHEW 4 02 £	90	123¼	+⅝	+37.16
SUMITOMO BANK 3 1/8 04	300	58⅜	+⅜	+47.48
TEXAS INSTRUMENTS 2 3/4 02	300	90⅜	+⅛	
THORN EMI 5 3/4 04 £	103	128	+1½	+5.10
UTD BISCUITS 5 3/4 03 PREF £	110	133¼	+⅛	-1.21

DEUTSCHE MARK STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN AMRO 8 1/2 96	500	100¼	-¼	8.44
AUSTRIA 6 3/4 99	750	93½		8.01
BNP 8 1/4 01	200	100¼	-¼	8.20
DEUTSCHE FINANCE 7 1/2 95	1000	97⅜		8.60
EIB 5 3/4 98	400	90⅜		7.85
EIB 6 1/4 99	600	90⅜	-⅛	8.05
EUROFIMA 8 3/4 96	400	101½	-⅛	8.31
FIRST INTERSTATE 5 3/4 96	100	86⅛	-⅛	10.27
IND BK JAPAN FIN 5 5/8 96	200	90⅛	-⅛	8.67
INTER AMER DEV 9 00	300	105⅜		8.12
IRELAND 6 1/2 99	300	91⅜	-⅛	8.25
LUFTHANSA INT FIN 5 7/8 98	500	89⅛	-⅛	8.20
NAT BK HUNGARY 10 3/4 98	500	100		10.72
QUEBEC HYDRO 8 5/8 01	600	100⅜	-⅛	8.48
SWEDEN 6 1/8 98	300	91⅜	-⅛	7.99
TURKEY 10 3/4 96	500	100	-⅛	10.71
WORLD BANK 0 15	2000	19⅜		7.11
WORLD BANK 5 3/4 96	300	92½	-⅛	8.08
WORLD BANK 8 3/4 00	1250	104⅜	-⅛	8.03

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	89¼		7.05
AUSTRIA 4 5/8 98	100	90¼		6.72
CHUBU ELEC POWER 6 3/4 01	300	99½	+¼	6.82
COUNCIL EUROPE 4 3/4 98	250	89	-½	7.13
EEC 5 1/2 00	100	90¼	-½	6.96
EIB 6 1/2 98	800	99⅜	+⅛	6.57
ELEC DE FRANCE 7 1/4 06	100	102½	+⅛	6.95
FINLAND 5 3/8 95	150	94½	-½	7.20
GENERAL MOTORS 7 1/2 95	100	100		7.49
JAPAN DEV BK 5 1/2 94	100	96		8.01
KOBE 6 3/8 01	240	98		6.67
NEW ZEALAND 4 7/8 99	200	87½	-½	7.28
QUEBEC HYDRO 5 08	100	76½	-½	7.60
WORLD BANK 5 03	150	85		6.96
WORLD BANK 7 01	600	102¼	-⅛	6.65

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
AUSTRIA 4 3/4 94	30000	99⅜		4.97
BELGIUM 4 5/8 94	45000	99¼	+⅛	5.08
CNT 5 1/8 94	20000	100	+⅛	5.12
COUNCIL EUROPE 7 94	25000	103⅜	+⅛	5.10
CREDIT FONCIER 5 1/4 94	20000	99⅜	+⅛	5.29
CREDIT LOCAL 7 96	30000	104⅜	+⅛	5.70
DENMARK 7 95	40000	104⅜	+⅛	5.22
EIB 4 5/8 94	40000	100	+⅛	4.62
EIB 6 3/4 01	50000	106	+⅜	5.87
ELEC DE FRANCE 5 5/8 96	20000	100	+⅛	5.62
EUROFIMA 6 7/8 94	30000	103¼	+⅛	5.11
FINLAND 6 3/4 96	50000	103¼	+⅛	5.78
INTER AMER DEV 7 1/4 00	30000	108	+½	5.97
JAPAN DEV BK 6 1/2 01	120000	104⅜	+⅜	5.80
KANSAI ELEC PWR 4 5/8 94	60000	99¼	+⅛	5.10
KFW INTL FIN 6 1/4 94	25000	102¼	+⅛	5.30
NIPPON TEL & TEL 5 7/8 96	50000	101⅛	+⅛	5.57
NORDIC INV BANK 4 7/8 94	30000	99⅝	+⅛	5.10
NORWAY 5 1/8 95	50000	99⅜	+⅛	5.17
ONTARIO 6 1/4 96	50000	101¼	+½	5.91
OSTER KONTROLLBANK 7 94	25000	103¼	+⅛	5.05
SNCF 6 3/4 00	30000	105½	+⅜	5.85
SWEDEN 5 5/8 95	20000	100⅝	+⅜	5.41
WORLD BANK 6 3/4 00	50000	105⅜	+⅜	5.79
WORLD BANK 7 1/4 95	45000	105⅞	+⅛	5.07

LUXFR STRAIGHTS	Issued	Bid price	Chg on week	Yield
BAYERISCHE VEREINS INT 7 94	600	94⅜		9.73
COPENHAGEN TEL 8 5/8 96	600	98⅜		9.14
SKANDINAVISKA ENSK 9 3/8 97	1000	100⅜		9.26
WORLD BANK 8 96	1000	97		8.93

GUILDER STRAIGHTS	Issued	Bid price	Chg on week	Yield
EIB 8 7/8 01	300	104½		8.17
ENERGIE BEHEER 8 3/4 98	500	102⅝	-⅛	8.20
UNILEVER 9 00	500	105	+⅛	8.13

CANADIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALBERTA PROVINCE 10 5/8 96	500	104⅜	+⅛	9.09
BELL CANADA 10 5/8 99	150	105¼	+½	9.59
BRITISH COLUMBIA 10 96	500	102⅞	+⅜	9.11
EIB 10 1/8 98	130	104⅜	+½	9.17
ELEC DE FRANCE 9 3/4 99	275	102⅞	+⅜	9.18
FORD CREDIT CANADA 10 94	100	101¼	+⅜	9.32
GEN ELEC CAPITAL 10 96	300	103¼	+⅜	9.00
KFW INT FIN 10 01	400	103¼	+⅜	9.43
NIPPON TEL & TEL 10 1/4 94	200	104	+½	9.46
ONTARIO HYDRO 10 7/8 99	500	105½	+⅜	9.73
OSTER KONTROLLBANK 10 1/4 99	150	104⅞	+⅜	9.28
QUEBEC PROV 10 1/2 98	200	103½	+⅛	9.73

ECU STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALL NIPPON AIRWAYS 9 95	130	96⅞		10.27
BELGIUM 9 1/8 96	1250	101¼	+⅛	8.72
BFCE 9 99	100	100⅛	+⅛	8.97
BRITISH TELECOM FIN 8 1/2 94	150	97½	+⅜	9.71
CNA 7 3/8 95	120	94¼	+⅛	9.71
CNA 8 3/4 99	150	99½	-⅛	8.91
COUNCIL EUROPE 9 01	500	100⅞	+⅜	8.84
CREDIT FONCIER 7 5/8 94	430	96⅞	+⅛	9.46
CREDIT LOCAL 9 95	100	98⅜	+⅛	9.48
CREDIT LYONNAIS 9 96	125	98⅞	+⅛	9.35
CREDITANSTALT 8 7/8 94	67.5	98	+⅛	9.75
DENMARK 7 5/8 96	250	94¼	+⅛	9.43
DEUTSCHE BK FIN 8 5/8 94	200	97⅜	+⅛	9.68
ERDO 8 7/8 96	500	100¼	+⅛	8.78
ECSC 8 97	141	96¼		9.80
EEC 7 3/8 94	200	96⅞	+⅛	9.56
EIB 10 97	1125	104⅞	+⅛	8.69
ELEC DE FRANCE 8 5/8 99	200	97⅝	+⅜	9.07
EURATOM 7 3/8 96	100	92⅞	+⅛	9.49
EUROFIMA 7 5/8 95	165	95⅝	+⅛	9.47
EX-IM BANK JAPAN 10 5/8 95	200	103½	+⅛	9.35
FED BSNS DEV BK 9 94	100	98⅞	+⅛	9.93
FERRO DEL STAT 10 1/8 98	500	104⅞	+½	8.97
FINLAND 10 1/4 95	250	102¼	+⅛	9.23
ITALY 10 3/4 00	1000	110¼	+⅜	8.89
JAPAN DEV BK 8 5/8 97	200	99¼	+⅛	8.81
JAPAN HIGHWAY 9 1/8 96	150	99½		9.26
NEW ZEALAND 10 5/8 97	300	105⅜	+⅛	9.25
NORDIC INV BANK 9 7/8 96	300	102½	+⅛	9.04
OSTER KONTROLLBANK 8 5/8 94	100	97⅝		9.79
SNCF 9 99	175	100⅞		8.82
SPAIN 10 3/4 95	500	104⅜	+⅛	9.03
SWEDISH EXPORT 9 3/4 94	300	100⅞	+⅛	9.48
UNITED KINGDOM 9 1/8 01	2750	102⅞	+½	8.65
WORLD BANK 7 1/2 94	150	95⅝		9.77

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
BP AMERICA 12 1/4 96	100	108⅝	+⅛	9.44
COMM BK AUSTRALIA 13 3/4 99	100	119⅜	+⅛	9.92
EKSPORTFINANS 12 3/8 95	75	110⅜	+⅛	8.39
EUROFIMA 14 5/8 94	75	111⅜	+⅛	8.04
MCDONALDS CANADA 15 95	100	114⅞	+⅛	9.29
NAT AUSTRALIA BANK 14 3/4 94	150	110⅝	+⅛	8.08
STATE BK NSW 14 1/4 99	100	120	+⅛	10.23
UNILEVER AUSTRALIA 12 98	150	110¼	-⅛	9.66
VOLKSWAGEN INTL 15 94	100	111½	+⅛	8.43

STERLING STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATL TREAS 13 3/8 95	100	107⅞	+⅛	9.98
ALLIANCE & LEICS 11 3/8 97	100	103⅞		10.38
ASFINAG 12 96	100	107½	+⅛	9.67
ASIAN DEV BANK 9 1/2 97	50	99⅞	+⅛	9.52
BRITISH GAS 12 3/4 95	300	106⅝	+⅛	9.85
BRITISH LAND 12 1/2 16	150	104⅞	+⅛	12.23
CNT 10 97	70	101⅜	+⅛	9.51
DAIMLER-BENZ UK 10 3/4 96	100	103	+⅛	9.81
DEUTSCHE BK FIN 11 94	225	101⅝	+⅛	9.84
EIB 10 97	636.5	102¼	+⅛	9.37
FINLAND 10 1/8 97	100	101⅜	+⅛	9.64
ITALY 10 1/2 14	400	105⅝	-⅛	9.86
LAND SECS 9 1/2 07	200	90	+⅛	10.89
NATIONWIDE ANGLIA 13 1/2 00	125	112⅞	+⅛	11.06
NORWAY 10 1/2 94	200	101⅜	+⅛	9.64
ONTARIO 11 1/8 01	100	107	+⅛	9.88
SEVERN TRENT 11 1/2 99	150	105⅜	+⅛	10.38
SKANDINAVISKA ENSK 13 1/8 95	100	106⅜	+⅛	10.35
TOKYO ELEC POWER 11 01	150	107½	+⅛	9.77
WORLD BANK 11 1/4 95	100	105⅞	+⅛	9.70

NEW ZEALAND DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 0 96	100	68	+½	9.15
BNP 12 96	50	109¼	+⅛	8.95

FRENCH FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
CEPME 10 95	2000	102½	+⅛	8.98
ELF-AQUITAINE 9 99	600	100⅝	+½	8.86
EURATOM 7 5/8 98	500	92⅝	-⅛	9.25

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI GLASS	25/06/98	17½	+1¼	27.20
CANON	24/05/95	15⅞	+1¼	16.54
HANKYU DEPT STORES	14/03/96	4⅜	+⅜	52.78
HINO MOTORS	06/07/94	⅜	+⅛	85.82
KOBE STEEL	12/06/96	2⅜	+¼	54.65
MITSUBISHI EST	11/03/94	⅛		
MITSUI TOATSU CHEM	30/01/98	2	+⅛	
MORINAGA	13/06/95	12⅜	+3¼	31.24
NICHIREI CORP	11/06/98	10⅜	+1½	41.45
NIPPON COMSYS	31/01/95	3⅜	+⅜	69.97
NISSHIN STEEL	18/04/96	2⅛	+⅛	
ROYAL HOTEL	14/03/95	1¼	+⅛	74.18
SMC	25/07/95	2⅛	+¼	99.72
TAKASHIMAYA	02/07/96	7⅜	+2⅛	38.21
TOYO SASH	05/08/97	3¼	+½	
YAMANOUCHI PHARM	01/03/94	13½	+1⅜	19.56

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in *millions of currency units.*
FLOATING RATE NOTES: *US dollars unless indicated. Margin above six-month offered rate for US dollars.* C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on May 8

US CORPORATE BONDS

Treasuries rally may bring new wave of borrowing

THE STRONG performance of the US Treasury market in the wake of last week's quarterly refunding has pushed the yield on the long – 30-year – bond back below the key level of 8 per cent. It could also open the door to a fresh round of corporate fund-raising.

The domestic US corporate bond market got off to a busy start to the year, with more than $75bn of fresh debt in the first quarter. The pace of activity slowed subsequently, as yields in the US bond market climbed – but last week's rally in the market could bring companies back to the market.

"The 7.9 per cent long bond yield reached in Friday's rally will flush out some more borrowers," forecast Mr Joe MacHale, managing director, capital markets, at JP Morgan Securities in New York.

The calendar of potential issues has been building in recent weeks, according to underwriters. However, a cap on supply was created because US companies were no longer able to meet their funding targets when the Treasury market weakened.

Although other factors, such as the shape of the yield curve and the performance of corporate spreads, are also important in determining borrowers' funding costs, the 8 per cent yield level on the long bond has proved an important psychological barrier for issuers. Most companies are looking at fixed-rate funds.

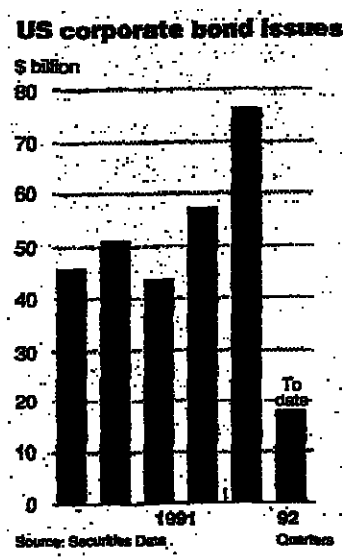
"If you look at rates as far back as 1979, corporate funding rates are currently at the low end of the range," said Mr Bob Scott, head of fixed income at Morgan Stanley.

However, borrowers are facing a difficult choice. They are keen to extend the maturity profile of their debt by securing longer-term funding through the bond markets, in order to refinance short-term debt. The difficulties experienced by some companies in rolling over commercial paper have made treasurers reluctant to become dependent on short-term debt.

However, the steep shape of the yield curve means borrowers have to pay as much as four points more to raise long-term, rather than short-term, funds. Short-term rates have reached historically low levels, which many borrowers find hard to pass up.

"If the economy picks up further, more companies will be prepared to make that trade-off," said one Wall Street capital markets analyst.

In addition, many borrowers still believe that US interest rates have further to fall, and are willing to hold on. The same attitude is contributing to a lack of opportunities in the swap market: a lack of fixed-rate payers in the swap market has kept swap spreads very narrow, so post-swap floating-rate funding levels are not attractive.



Source: Securities Data

Meanwhile, investor demand remains robust. US institutions have substantial amounts of cash to invest, and, with expectations of 3 per cent to 3¼ per cent inflation, continue to take a reasonably positive view of the bond market. Demand is spread across the board, with pension funds, insurance companies, money market and mutual funds all opting for different areas of the yield curve.

Yield spreads have reached historically tight levels, with weaker credits performing relatively better than stronger credits, reflecting strong appetite for higher-yielding paper. Investors are becoming increasingly comfortable with corporate debt as the US economy emerges from recession, while the process of de-leveraging since the end of the 1980s has improved the credit profile of corporate America. The fresh availability of equity funding has allowed companies to rebuild their capital bases.

US institutions are also extremely sophisticated in their assessment of credit risk, often boasting their own credit research capacity. The nuances between different companies with the same credit rating have become increasingly pronounced.

There has also been a growing distinction between cyclical and non-cyclical companies. Since the start of the year, bond yields of non-cyclical companies have tightened about 10 basis points, while those of companies in cyclical industries have performed even better, partly as a reversal of their underperformance last year.

US companies rated Triple-B, which would not even be able to gain access to the public debt markets in many countries, can raise 10-year debt in the US corporate bond market at little more than 100 basis points (1 per cent) above the comparable US Treasury yield.

This year, US companies have consistently been able to raise funds more cheaply in the US corporate bond market than in the Eurodollar bond market, even though underwriting fees in the Eurobond market are substantially lower.

The fall-off in continental European investors willing to pay a premium for household company names, and shifting views on the dollar, have contributed to the Eurobond market's inability to compete with rates offered in the US domestic market. Rather than US companies borrowing in Europe, the trend is likely to be the reverse.

As a result, some European companies may find funding opportunities in the US increasingly attractive. While top-rated European companies, such as British Telecom, still command a premium in the Eurodollar bond market, some lower-rated borrowers may find the US market more receptive. For example, a number of European banks are currently preparing to raise subordinated debt in the Yankee bond market (the US market for foreign borrowers). Subordinated debt is highly prized by banks, since it counts as capital under Basle guidelines. However, European banks have found subordinated debt hard, or prohibitively expensive, to raise in their own markets.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Citicorp(a)‡†	150	1994	2	(a)	99.75	Kidder,Peabody Intl.	-
World Bank(f)‡†	250	2002	10	(f)	100	Salomon Brothers Intl.	-
Compagnie Bancaire(g)†	500	1997	5	(g)	(g)	J.P. Morgan Secs.	7.252
Banco Hollandes Brazil(j)†	*50*	*1994*	*2.5*	*10*	*99.55*	*ABN Amro Bk.*	*10.208*
Brit.Aerospace Fin.BV(l)†	400	1997	5	8	101.50	Goldman Sachs Intl.	7.628
Banco Cidade SA(n)(one)†	25	1993	1	8	98.8558	BNP Cap.Mkts.	9.250
Banco Cidade SA(n)(two)†	25	1993	1	8	98.8558	BNP Cap.Mkts.	9.250
Alto Paraná(o)†	20	1995	2.833	12	98.248	Yamaichi Intl.	12.750
STERLING							
HMC Mortgage N.9 Plc(d)‡†	140	2034	(d)	(d)	100	Swiss Bank Corp.	-
Housing Finance Corp.(b)†	51.5	2016	14.5	11½	105.404	Samuel Montagu	10.734
Euro.Coal&Stl. Comm†	50	2017	15	9⅞	100.81	Cdt. Suisse Fst.Boston	9.787
Euro.Coal&Stl. Comm.(k)‡†	41.5	1997	5	(c)	100.00	BZW	-
ECU's							
Johnson & Johnson†	150	1997	4.66	9	101.625	J.P. Morgan Secs.	8.587
Cdt.Local De France(i)†	100	1997	5	8.5	98.40	UBS Phillips & Drew	8.912
Nedlanndse Gasuine†	110	1997	5	8.75	101.40	*Paribas Cap.Mkts*	8.396
Phillip Morris Cap.Corp†	150	1997	5	9.25	101.30	Paribas Cap.Mkts	8.917
Republic Of Turkey†	150	1995	3	11½	99.879	Paribas Cap.Mkts	11.550
FRENCH FRANCS							
Credit Lyonnais(b)†	2bn	1996	4.5	(b)	100.15	Credit Lyonnais	9.429
Compagnie Bancaire†	2bn	1993	1	10	100.775	Paribas Cap.Mkts.	9.154
SWISS FRANCS							
Rabobank Ned. NV★★†	100	1997	-	7	101.625	Swiss Volksbank	6.608
Bayerische Verinsbank†	70	1997	-	7	102	Wirts-Privatbank	6.518
BMW Finance NV(e)†	50	1994	-	8	101.375	UBS	7.237
Naturgas★★†	75	1997	-	7¼	101.62	Credit Suisse	6.855
Guinness Fin. BV★★†	75	1997	-	7⅛	101.37	SBC	6.792
DSL Bank†	55	1996	-	7	102.00	Merrill Lynch AG.	6.417
CANADIAN DOLLARS							
GECC†	125	1995	3.5	8½	100.925	Wood Gundy	8.162
Desjardins Du Quebec(a)	100	1997	5	9¼	101.15	Wood Gundy	8.955
NEW ZEALAND DOLLARS							
Telecom Corp NZ.Fin(m)†	75	2002	10	9¼	100.40	Hambros Bank	9.187
LIRE							
Dresdner Finance BV†	150bn	1997	5	11.75	101.70	Banca Comm. Italiana	11.287
YEN							
Tokuyama Soda Co.†	8bn	1996	6	4.25	101.45	Yamaichi Intl.	5.600
DANISH KRONER							
Nordic Invest.Bk†	300	1996	4	9	101.75	Unibank	8.466
PESETAS							
EIB(c)†	25bn	1997	5	10	101.07	Banco Cent.Hispano	9.720
LUXEMBOURG FRANCS							
Cregem Intl.Bk.★★†	400	1994	2	9.75	102.20	Cregem Intl.Bk.	8.526
Credito Romagnolo†	500	1996	4	9.375	101.875	Banque UCL	8.792

★★Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. ♦Variable rate note. †Final terms. a) Coupon pays 75bp above 3 month Libor rate. Amount increased from $150m b) Fungible with existing 1bn bond. Non-callable. c) Matador bond. Non-callable. d) Coupon pays 53bp above 3 month Libor. Mortgage backed. 4.6 years average life. e) Promissory note issue. Non-callable. f) Coupon pays 55 bp below 6 months Libor. Fees undisclosed. g) Amount increased from $400m. Indicated spread 75-78 basis points over 5 year treasuries. Issued 6/5/92, coupon and price fixed 7/5/92. h) Fungible with existing £100m issue. i) Fungible with existing 800m Ecu issue. j) Coupon payable semi-annually. k) Coupon pays 55bp below 6 month Libor. Fees undisclosed. l) Amount increased from $300m. m) Amount increased from NZ$ 50m. Non-callable. n) Two tranche $50m issue. Tranche (one) due 14/3/1993. Tranche (two) due 28/5/1993. (o) Coupon payable semi-annually. Non-callable. Note: yields calculated on ISMA Basis

Anthony Harris

Coming in the 1990s: capital famine

DR HENRY Kaufman's departure from Salomon Brothers ended an era in the US bond markets for both of them. Salomon no longer dominates bond trading as it did, and Dr Doom no longer dominates sentiment. But he is still the same man, and worth close attention on the much rarer occasions when he goes public. His Walter Surrey memorial lecture* in Washington this month was as weighty as ever; but for the first time I can remember, it provokes me to cavil as well as to nod.

Kaufman tries to combine two theses: that our capital markets have a bad hangover after the excesses of the 1980s; and that the world demand for capital is so high that real interest rates will be high for the indefinite future. Familiar stuff, you may think; but can both scenarios be true?

Can we have austerity and an investment boom at the same time? Hardly. If, as Kaufman argues, the western banking system is far too shaky to finance much-needed development in the emerging Latin American economies and the reconstruction of the ex-communist world, can we meet their demands at all? Or will they conclude, as Stalin did 70 years ago, that it has to be a bootstraps operation, or nothing? Judge these questions for yourself in the light of the Kaufman analysis.

On banking he is, as usual, grimly convincing. Deregulation, he says, has left behind "an amalgam of sophisticated financial processes and badly understood and frequently immeasurable risks". The measurable risks are those resulting from fee-driven lending follies. We tend to shut our eyes to these horrors; Kaufman's estimate that unpaid interest alone currently amounts to $25bn gives an idea of their scale. The immeasurable risks are partly in over-valued property, but especially in derivatives. One startling example: he estimates currently outstanding interest rate swaps at $3,000bn. "I can think of no area that has the potential for creating greater havoc." Enough said.

The British clearing banks have recent experience of what he calls the "significant submerged risks" which may be involved in swaps. He also points out an economic cost which is generally overlooked. Borrowers who swap into fixed coupon obligations get no benefit from falling market interest rates. This helps to explain why the economic response to cuts has been so disappointing. And it is an important pointer for equity analysts; company accounts are unhelpful about the terms on which money is owed.

Meanwhile, the supervisory authorities are in almost equally bad shape. Kaufman is unmerciful: regulators have habitually missed the point of innovations such as CDs, junk bonds, derivatives, and so been unprepared for the side-effects, some of which they still fail to understand. Generally they have been reactive; too little and too late.

They have protected market imperfections, because these make regulation easier, and so encouraged the innovations they do not understand. When provoked to act, they have been too timid; and they have been backed by politicians, who like easy credit. (This suggests a supervisory argument for central bank independence which is surely more powerful than the usual monetarist case.) Most important, potentially, they have yet to set up a system of international responsibility which could handle a future BCCI.

Kaufman concludes that there is no more outstanding debt, private and public, than the system can handle. The banks will be highly conservative for years to come; governments will be deflating (preferably through defence cuts); and both investment and debt reduction demand a return to basic reliance on equity financing. Especially for new borrowers.

But if you accept this, as I do, can you argue plausibly for a boom, even in developed economies, or even simply in equity markets? It seems more likely that for some time any borrower other than an established giant is going to find it next to impossible to finance even promising projects. Even the credit-worthy will practice what Kaufman call "capital frugality"; for the rest, it looks more like capital famine.

Text from Kaufman Inc, 65 E 55th St, New York NY 10022.

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued)

BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | ITALY | GERMANY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA

JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

Price data supplied by Telekurs.

CANADA

TORONTO

4:00 pm prices May 8

Quotations in cents unless marked $

Total Sales 11,551,400 shares

MONTREAL

4:00 pm prices May 8

INDICES

NEW YORK

DOW JONES	May 8	May 7	May 6	May 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3369.41	3363.37	3369.41	3359.35	3378.13 (4/5)	3172.41 (2/1)	3378.13 (4/5/92)	41.22 (2/7/32)
Home Bonds	99.54	99.38	99.20	99.37	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1399.66	1394.99	1407.70	1394.25	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.01	213.45	214.32	213.82	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 3388.42 (3390.65) Low 3344.59 (3343.25)

STANDARD AND POOR'S

	May 8	May 7	May 6	May 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	416.05	415.85	416.79	416.84	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	492.50	492.68	493.50	493.78	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.14	35.06	35.17	34.98	35.17 (6/5)	32.40 (8/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.20	229.08	229.56	229.50	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	394.12	394.12	393.77	393.17	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	585.76	587.16	589.36	588.07	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 1	Apr 24	Apr 10	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.80	2.85	3.44

	May 6	Apr 29	Apr 22	year ago (approx.)
S & P Industrial div. yield	2.61	2.62	2.63	2.78
S & P Indl. P/E ratio	29.29	28.96	28.80	18.57

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Global Mar	2,347,100	1⅞	+ ⅛
Chase Man	2,110,500	29½	+ ⅜
Storage Tech	2,068,000	39¼	- 7¾
Pinelands	1,949,200	17¼	+ 5¼
Hanson	1,787,000	21⅜	+ ⅛
Masco	1,719,700	29½	+ ⅜
Amer Elect	1,663,600	31½	- ¼
Boeing	1,532,200	44⅜	+ ¼
Glaxo	1,481,700	27¾	+ ⅜
Ph Morris	1,455,600	78	- 1

TRADING ACTIVITY

† Volume Millions	May 8	May 7	May 6
New York SE	168.670	168.910	199.070
Amex	16.307	15.506	16.807
NASDAQ	(u)	170.280	171.416
NYSE			
Issues Traded	2,252	2,230	2,248
Rises	849	814	1,013
Falls	805	824	683
Unchanged	598	592	552
New Highs	77	86	98
New Lows	10	7	5

CANADA

TORONTO	May 8	May 7	May 6	May 5	1992 HIGH	1992 LOW
Metals & Minerals	2995.50	2985.60	2967.75	2971.46	3238.87 (16/1)	2828.26 (8/4)
Composite	3374.40	3362.90	3361.30	3364.50	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1763.88	1755.35	1755.54	1758.45	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 8	May 7	May 6	May 5	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1663.6	1665.9	1668.9	1665.5	1675.60 (15/1)	1545.30 (8/4)
All Mining (1/1/80)	698.5	701.7	703.0	705.9	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	408.01	409.97	407.38	404.24	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	971.83	975.01	966.76	955.30	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1218.99	1211.36	1198.27	1199.27	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	339.98	337.66	336.02	334.52	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	861.7	862.4	850.8	838.3	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	(c)	549.31	548.96	551.15	551.15 (5/5)	475.53 (2/1)
CAC 40 (31/12/87)	(c)	2063.40	2047.15	2046.93	2063.40 (7/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	706.62	706.80	704.70	698.00	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	1989.8	1991.1	1984.9	1964.8	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1748.18	1750.81	1743.50	1732.64	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5608.19	5629.58	5581.20	5632.21	5631.21 (5/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1432.84	1427.64	1422.92	1446.59	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	493.33	497.41	495.75	492.18	551.59 (6/2)	492.18 (5/5)
MIB General (2/1/92)	973.0	982.0	978.0	971.0	1086.00 (5/2)	971.00 (5/5)
JAPAN						
Nikkei (16/5/49)	18375.95	18410.88	17878.66	(c)	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1374.38	1374.70	1339.43	(c)	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1973.28	1951.73	1931.04	(c)	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	605.71	603.56	604.46	603.02	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	305.1	304.9	305.4	304.0	305.40 (4/5)	274.00 (8/1)
CBS All Shr (End 1983)	212.3	212.4	213.3	212.4	213.40 (4/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	764.43	766.04	760.28	760.65	766.04 (7/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1235.02	1231.45	1209.74	1245.52	1303.30 (17/1)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	394.66	394.65	394.53	398.48	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1075.0	1072.0	1074.0	1051.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4482.0	4461.0	4453.0	4408.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	599.25	603.34	611.85	(c)	691.48 (8/2)	569.65 (10/4)
SPAIN						
Madrid SE (30/12/85)	254.91	251.46	250.11	249.17	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1009.70	1007.90	1004.30	993.70	1009.70 (20/3)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	868.5	870.0	863.5	870.00 (6/5)	748.50 (8/1)
SBC General (1/4/87)	(u)	672.0	672.4	667.1	672.40 (6/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4462.61	4481.29	4482.25	4536.53	5391.63 (30/1)	4405.44 (13/4)
THAILAND						
Bangkok SET (30/4/75)	732.89	710.72	717.62	(c)	832.39 (7/4)	710.72 (7/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	503.4*	505.2	502.4	497.9	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	970.51	966.61	962.61	955.83	970.51 (8/5)	870.31 (2/1)

**Saturday May 2: Taiwan Weighted Price: 4532.53, Korea Comp Ex. 614.95.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable. † Correction.

TOKYO - Most Active Stocks

Friday 8 May 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Morinaga Milk	10.0m	840	+41	Shimazu Corp	5.8m	705	+25
Japan Metal	8.0m	808	+49	Kao Corp	4.9m	1,110	+60
Sanyo Elect	7.7m	489	+1	Hitachi	4.9m	870	+5
Toshiba Corp	6.7m	652	+3	Honshu Paper	4.5m	526	+27
Okamoto Inds	6.4m	1,380	+100	Fuji Heavy	4.1m	353	+4

هيكل صـ التـعمل

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AUTHORISED UNIT TRUSTS

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx, UB8 1RZ 0895 259783						
AIB Grofund America	5	116.8	118.0	124.2	0.00	[illegible]
AIB Grofund Equity	5	183.0	185.6xd	196.4	1.99	[illegible]
AIB Grofund Euro	5	135.4	137.4	144.6	0.61	[illegible]
AIB Grofund Gilt	3	72.96	73.00	75.26	8.40	[illegible]
AIB Grofund Japan	5	108.5	109.8	115.5	0.00	[illegible]
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	120.1	120.1	127.4	8.12	[illegible]
High Inc Equity	6	134.8	137.8xd	146.5	5.80	[illegible]
Worldwide Bond	6	211.0	211.8xd	224.5	6.34	[illegible]
Capital Growth						
American Growth	6	206.9	206.0	220.3	[illegible]	[illegible]
Asian Pacific	6	143.6	146.6	155.9	1.30	[illegible]
Assets & Earnings	6	196.1	200.5xd	213.0	2.94	[illegible]
Capital Reserve Acc	0	114.9	114.9	115.0	7.81	[illegible]
Capital Reserve Inc	0	84.96	84.96	85.03	7.81	[illegible]
Comdty & Energy	6	65.92	65.92	70.50	1.22	[illegible]
1992 Enterprise	6	72.96	72.96	78.03	3.00	[illegible]
Euro Capital Acc	6	91.32	91.32	97.66	1.07	[illegible]
Euro Capital Inc	6	86.53	86.53xd	92.54	1.08	[illegible]
General	6	182.8	182.8	195.5	2.97	[illegible]
Japan	6	74.96	74.96	80.17	—	[illegible]
Mastertrust	6	91.32	91.32	97.66	2.51	[illegible]
UK Growth Acc	6	178.3	185.9	197.7	2.36	[illegible]
UK Growth Dist	6	112.6	117.4xd	124.8	2.63	[illegible]
US Emerging Cos	6	73.27	73.27	78.36	—	[illegible]
Income & Growth	6	316.0	316.0xd	337.9	4.14	[illegible]
Ethical	6	38.55	39.96	43.78	3.10	[illegible]
International	6	61.96	62.48	66.46	1.35	[illegible]
Dividend & Growth	6	32.51	32.64	35.99	5.36	[illegible]
Global Gwth & Sec	6	54.12	54.40	57.87	0.21	[illegible]
Aberforth Unit Trust Managers Ltd (1600)F						
14 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1164.0	1164.0	1290.0	—	[illegible]
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Mercury Fund Managers Ltd						
33 King William St, EC4R 9AS 071-280 2060						
American	5	135.8	135.8	143.9	0.00	40918
(Accum Units)	5	145.2	145.2	153.9	0.00	40919
American Deps	5	57.02	57.02	60.77	0.00	40922
(Accum Units)	5	57.80	57.80	61.61	0.00	40923
British Blue Chip	5	66.70	66.70xd	71.14	3.75	40924
(Accum Units)	5	76.29	76.29xd	81.38	3.75	40925
Cash*	0	100.4	100.4xd	100.4	10.14	46084
(Accum Units)*	0	121.7	121.7xd	121.7	10.14	46083
European Growth	5	166.6	166.6	176.4	0.51	40926
(Accum Units)	5	176.8	176.8	187.3	0.51	40927
European Income	5	63.32	63.32	67.37	3.48	40928
(Accum Units)	5	77.95	77.95	82.93	3.48	40929
General	5	422.6	423.5	451.8	2.69	40932
(Accum Units)	5	785.4	787.3	839.7	2.69	40933
Global Bond	5	104.4	104.4xd	109.6	6.74	41118
(Accum Units)	5	111.2	111.2xd	116.8	6.74	41119

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
UK Equity Income	6	114.47	116.22	123.64	5.10	[illegible]
UK Smaller Co's	6	104.95	108.28	115.19	2.27	[illegible]
UK Equity Growth	6	109.86	111.47xd	118.59	4.13	[illegible]
UK Index Tracking F	6	114.27	114.99	122.33	4.23	47662
Intl Index Tracking F	6	96.05	96.88	103.06	1.47	[illegible]
International	6	158.54	160.23xd	170.46	2.01	41112
European	6	125.76	126.60	134.69	1.01	41114
Pan European	6	98.15	99.17	105.50	3.02	[illegible]
Nth American	6	124.07	125.24xd	133.23	1.96	41115
Nth Amer Smllr Cos	6	106.03	108.56	115.49	0.00	[illegible]
Japanese	6	55.90	56.74	60.36	0.00	[illegible]
Pacific	6	126.67	128.59	136.80	1.16	41113
South East Asian	6	125.85	129.09xd	137.33	1.01	[illegible]
International Bond	6	103.22	103.25	109.84	6.65	[illegible]
Gilt & Convertible	6	99.52	99.74	106.11	8.11	[illegible]
Property F	6	71.25	73.42	78.11	6.51	[illegible]
Cash Deposit Accum F	0	100.43	100.43	100.43	9.33	—

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh						031-226 3271
American ♥	5	279 7	279 7	297 5	0 75	41410
(Accum Units) ♥	5	329 2	329 2	350 2	0 75	41411
British	5	864 9	882.5	933 7	5 35	41416
(Accum Units)	5	1450 4	1480 0	1565 8	5 35	41417
European	5	339 0	339 0	359 9	1.43	41418
(Accum Units)	5	367 5	367 5	390 1	1 43	41419
Japan	5	94 78	94 78	100 82	-	41420
(Accum Units)	5	95 54	95 54	101 6	-	41421
New Pacific	5	203 8	203.8	217 8	1 61	46365
(Accum Units)	5	209 3	209 3	223 7	1 61	47794
PEP May 6	5	160.4	162 2	171 6	3 57	47568
Mngd Equity	5	131 9	133 3	141 0	2.72	47566
Mngd Equity Acc	5	139 9	141 4	149 6	2.72	40556
Mngd Cash	0	96 07	96 07	96 07	9 97	47565
(Accum Units)	0	120 7	120 7	120 7	9 97	40367
Majority Stlg	1	100 17	100 17	101 17	9 83	42703
Majority Stlg Acc	1	111.09	111.09	112.20	9 83	46689
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300						Dealing 0277 261010
International Mar 13	0	49 99	49 99	50 46	2 72	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham						0403 232323
Equity	6	651 9	651 9	697 2	2 68	41423
North America	6	83 41	83.41	89.21	0 36	41424
Far East	6	86 79	86 79	92 80	0 54	41425
Worldwide Bond	6	46 73	46 75xd	49 71	6.37	41426
European	6	69 34	69 34	74 16	1.54	41429
Equity Income	6	72 82	72 82	77 88	5 14	41430
Portfolio	6	60 08	60 08xd	64 26	2.25	41431
Broker Trusts						
Worldwide Growth	6	47 00	47 00	50 00	2.23	47736
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke Hants						0800 525725
American Growth	6	26 58	26 58	28.43	0 86	47795
Managed Assets	6	106.67	107 30	114 77	3 27	44067
UK Income	6	33 52	33 89	36 25	4 32	41432
UK Growth	6	33 60	33 94	36 31	3 47	41433
Worldwide Growth	6	24 14	24 14	25 82	1 12	41434
Sun Life Trust Mngmt Ltd (1200)H						

	Bid Price	Offer Price	Yield Gross	City-line
M & G Securities Ltd				
Charibond May 7	104.37xd		10.34	40883
(Accum Units)	646.75		10.34	40884
NAAGIF May 5	41.25xd		9.3	46917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity r May 5	137 8	147 6	1 83	46925
UK Small Co r Apr 30	538.7	569.5	3.40	46926
Fixed Interest r Apr 30	109.3	115 0	8.69	46920
US Small Co May 5	161 4	172.6	0.00	46927
Managed May 5	113 8	121.6	3.51	46924
Intl Bond May 5	118.7	125.2	10 25	47790
Japan May 5	59 02	62 94	4 66	47877
European May 5	91.76	98 28	1.72	47876
Nth American May 5	117 2	126 0	1.26	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt May 8	55.19	57.41	1 69	41064
Euro Exmt May 8	54 08	56.79	2.31	41065
Fixed Int Ex May 6	48 63	49 84	8 72	46594
Japan Exmt May 8	36.65	38.12	0.84	41066
Managed Ex May 7	47.50	49 41xd	4 13	41067
SE Asia Exmt May 8	80.60	84.63xd	2 53	41068
Sm Cos Exmt May 6	37 44	39.32xd	3.26	41069
UK Eqty Ex May 6	46 05	48.36	3.46	41070
Phillips & Drew Fund Management Ltd				
Small Co's May 7	712.80	799 13xd	4 27	41138
Do Accum.	832.15	886.26	4.27	41139
Int Exmt May 7	190 20	194.26xd	1.90	41140
UK Index May 7	1294.90	1360.31xd	4 62	46945
Do Accum.	1388.89	1406 08	4.62	46946
Convertible Apr 27	98.25	101.34xd	7.99	46938
World ex UK Index May 5	742.23	750.86	2.21	47887
Do Accum.	742.23	750.86	2.21	47888
Japan Index May 5	429.13	435 69	0 89	47881
Do Accum	430.83	437.42	0 89	47882
USA Index May 5	1064.29	1071.38	3 00	47885
Do Accum	1109.38	1116.77	3.00	47886
Europe ex UK Index May 5	915 7	929 73	3.17	47879
Do Accum	952 28	966.86	3 17	47880
Pacific ex Jap Index May 5	1106 97	1134 62	3 58	47883

	Bid Price	Offer Price	Yield Gross	City-line
Allied Dunbar Assurance Plc				
Gen 4				
Fixed Int Dep Acc	27 8	[illegible]		
Equity Acc	28.5	[illegible]		
Property Acc	22 9	[illegible]		
Far East Acc.	22.7	[illegible]		
European Acc.	22 9	[illegible]		
Managed Acc.	28.3	[illegible]		
Overseas Acc.	30 5	[illegible]		
Gilt Acc.	30 6	[illegible]		
Am Equity Acc.	27.8	[illegible]		
Am Managed Acc.	26.9	[illegible]		
Am Property Acc.	21 2	[illegible]		
High Income Acc.	26.0	[illegible]		
High Income Ser 2	26.0	[illegible]		
Pension Funds				
F I Dep Cap.	369.0	[illegible]		
F I Dep Acc.	699.8	[illegible]		
Prop Cap.	497.5	[illegible]		
Prop. Acc.	1043 6	[illegible]		
Man. Cap	931.1	[illegible]		
Man Acc.	1953 2	[illegible]		
Gilt Edged Cap	385.5	[illegible]		
Gilt Edg. Acc.	659.3	[illegible]		
Eq Cap.	1529 5	[illegible]		
Eq. Acc.	2429 8	[illegible]		
Am Eq Cap.	188.5	[illegible]		
Am Eq Acc.	252.0	[illegible]		
Far East Cap.	199.0	[illegible]		
Far East Acc.	266 0	[illegible]		
Euro Cap	31.6	[illegible]		
Euro. Acc.	38 0	[illegible]		
B.S. Cap	433 0	[illegible]		
B.S. Acc.	797.9	[illegible]		
D.A.F. Cap.	332.9	[illegible]		
D.A.F. Acc.	546.5	[illegible]		
Mortgage Cap	200 8	[illegible]		
Mortgage Acc.	268.4	[illegible]		
Baring Funds				
Pen Eqy Cap.	32.0	[illegible]		
Pen Eqy Acc.	36.9	[illegible]		
Pen Am Eq Cap	35.0	[illegible]		
Pen Am Eq Acc.	40.3	[illegible]		
Pen Far East Cap.	25 6	[illegible]		

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Life Insurance Soc.–Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Pensionmaster* & Unit-Linked Plus*				
Mixed Fund	465.3	489.8	–	43228
Ordinary Share Fund	723.8	761.9	–	43229
International Fund	169.3	178.2	–	43230
Property Fund	259.6	273.3	–	43231
Fixed Interest Fund	407.3	428.7	–	43227
Index-Linked Sec Fund	192.6	202.7	–	43228
Deposit Fund	281.8	296.4	–	43232
Norwich Units Acc 22		1116.59	–	43234

*Prices as at May 7

	Bid Price	Offer Price	Yield Gross	City-line
Jersey Investment Plan				
With Profits Fund	124.51	130.85	–	40525
Intl Equity Fund	93.52	98.44	–	40498
Intl Bond Fund	117.96	120.17	–	40549

Norwich Union Pensions Management Ltd

Surrey Street, Norwich, NR1 3NG 0603 683335

	Bid Price	Offer Price	Yield Gross	City-line
Group-Pooled Pensions				
Balanced Managed Fd	335.91	341.48	–	44391
Growth Managed Fd	112.40	114.38	–	44395
Sentinel Managed Fd	108.98	110.35	–	44399

Prices as at May 7

Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	Yield Gross	City-line
Property Dist. (Gross)	134.3	141.4	–	43235
Property Acc. (Gross)	256.0	269.4	–	43236
Equity (Gross)	928.3	977.1	–	43237
Managed (Gross)	639.5	673.1	–	43238
Property Acc. (Net)	122.3	128.7	–	43239
Equity (Net)	214.1	225.3	–	43240
Managed (Net)	196.0	206.3	–	43241
International (Net)	168.6	177.5	–	43242
Gilt & Fixed Interest	139.1	146.5	–	43243
Money Fund	138.5	145.8	–	43244
Mixed Fund (Cap)	121.5	127.8	–	46560
Mixed Fund (Acc)	125.2	131.8	–	46548
Adventurous Managed	96.5	102.6	–	–
Cautious Managed	95.2	100.2	–	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret. Man (Series 1)	696.6	733.3	–	43245
Ret. Man (Series 2)	236.2	248.7	–	43246
Ret Cash	194.5	204.7	–	43247
Pens Mixed Fd (Cap)	135.7	142.9	–	46559
Pens Mixed Fd (Acc)	139.8	147.2	–	46558
Pens Stg Fd (Cap)	103.0	108.5	–	46561

Provident Mutual Life Assc. Assn.–Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Index Linked Gilt Init	124.5	131.1	–	43489
Overseas Equity Ord	271.6	285.9	–	43490
Overseas Equity Init	199.1	209.6	–	43491
Property Ord	220.7	232.3	–	43492
Property Init	161.8	170.3	–	43493
Fixed Interest Ord	225.7	237.6	–	43494
Fixed Interest Init	165.4	174.2	–	43495
Deposit Ord	185.2	194.9	–	43496
Deposit Init	135.8	142.9	–	43497
Pension Funds				
Managed Ord	474.8	499.8	–	43498
Managed Init	348.0	366.3	–	43499
Equity Ord	747.1	786.4	–	43500
Equity Init	547.7	576.5	–	43501
Pen Ind Lkd Gilt Ord	183.1	192.7	–	43502
Pen Ind Lkd Gilt Init	140.2	147.6	–	43503
Overseas Equity Ord	308.8	325.1	–	43504
Overseas Equity Init	226.4	238.3	–	43505
Property Ord	278.7	293.4	–	43506
Property Init	204.3	215.1	–	43507
Fixed Interest Ord	286.5	301.6	–	43508
Fixed Interest Init	210.0	221.1	–	43509
Deposit Ord	265.0	278.9	–	43510
Deposit Init	194.3	204.5	–	43511

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	Yield Gross	City-line
Prubond				
Managed Mar 22	266.1	277.2	–	43612

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3261

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Managed Funds				
Discretionary May 06	190.90	196.83	–	43539
Equity May 06	220.77	228.31	–	43540
International May 06	237.63	28.22	–	43541
Intl Bond May 06	14.35	14.51	–	43542
Fixed Int May 06	105.91	106.08	–	43543
Index Linked May 06	74.21	75.13	–	43544
Property May 06	109.35	115.39	–	43545
Cash May 06	30.398	30.398	–	43546
Pru-Linked Retirement Plan				
Managed May 5	465.9	485.3	–	43547
Cash May 5	279.2	290.9	–	43548
Prudential Pension Investment Account				
Pens Mngd May 11	189.0	203.4	–	43549

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

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	Bid Price	Offer Price	Yield Gross	City-line
Asset Global Funds Ltd (1200)				
Victory Hse Prospect Hill, Douglas IoM 0624 620097				
European Equity 5	14.254	15.27	-	44689
UK Gilt 5	10.356	10.93	-	44690
Intl Equity 5	14.752	15.74	-	44691
International Bond 5	5.0989xd	5.38	-	44692
Ashburton Managed 5	0.9926	1.0450	-	47016
European Bond 5	1.0211	1.0766	-	47015
Sterling Cash Inc 5	0.9816	1.0307	-	47017
CMI Fund Managers (IoM)				
Clerical Medical Hse Douglas, IoM 0624 625599				
High Income 5	[illegible]	[illegible]	[illegible]	47293
CMI Core Portfolio Fund				
UK 5	1.0918	1.1690	-	47540
USA 5	1.0618	1.1260	-	47541
Japan 5	0.4686	0.4946	-	47539
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd 5	96.61	101.68	10.2	41566
Gartmore Fund Managers (IoM)				
PO Box 32 Douglas, IoM 0624 627610				
Intl Grth 5½	497.1	532.7	0.9	45095
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
L J International 5½	96.50	103.6	-	46634
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund 5	106.6	113.8	6.6	45970
Merc Intl Bond 5	49.87	52.42	8.6	45971
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas IoM 0624 622444				
Secure High Income 6	1.0404	1.1157	8.07	47486
Unibank Scandinavian Fund Ltd				
23 Ridge Road Douglas IoM 06246 36484				
Scandinavia Fd 5	[illegible]	147.97	1.0	45223

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
ATC Fund Management (SC) Ltd				
[illegible]	$10.65		-	45889

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Citibank (CI) Ltd "Citifunds"						
Short term Investment Funds						
Irish £ May 7			117.559		-	44841
Equity Funds						
Japan Equity May 7			$7.317		-	44845
US Em Hith May 11			$22.878		-	44849
US Em Tech May 11			$20.136		-	44851
Chilcare May 11			$35.104		-	44852
Bond Funds						
GNMA Bond May 11			$14.784	14.790	-	44855
NYB (A) May 11			$90.591.163		-	44856
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income			$15.20	15.666	2.74	44893
Capital			$23.65	24.380	5.50	44894
*Offer price includes 3% prelim charge						
International Income Fund						
Eurobd Long Term*			$33.14	34.6414	4.88	44892
*Offer Price includes 3½% Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV May 7 C$12.94xd						
First Aust Prime Inc Inv Co Ltd NAV May 7 US$10.79xd						
NAV Diluted to reflect exercise of all Wrnts C$12.59xd US$10.50xd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.496	2.627	-	44979
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.66		-	45896
Foreign & Colonial Mngmt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.68		-	45005
Multicurrency Cash			$16.41		-	45006
Sterling Cash			£11.82		-	45007
US$ Bonds			$14.69		-	45008
Multicurrency Bonds			$19.53		-	45009
Sterling Bonds			£13.26		-	45010
D Mark Bonds			DM10.47		-	45011
Ecu Bonds			Ecu11.73		-	45013
UK Equities			£11.01		-	45014
US Equities			$16.60		-	45015
Japanese Equities			Y632		-	45016
Global Equities			$10.52		-	45017
John Govett Management (Jersey) Ltd						
[illegible] NAV May 7			$10.85		-	47997
[illegible] NAV [illegible]			$8.39		-	47863
Paragon Fd NAV Apr 30			$10.23		-	47956
Paragon Redemption			$9.99		-	47106

Unit Name	Init Charge	Canc. Price	Bid Price
Commercial Union Luxembourg			
41 Ave de la Gare L-1611			
Commercial Union Privilege Portfolio			
Equity Funds			
Monthly Income (z)		-	100.89
Private Client Mgd (z)		-	93.07
Far Eastern Grwth (z)		$-	1.6581
American Gwth (z)		$-	2.2954
European Gwth (z)		Ecu-	1.8938
Japanese Gwth (z)		Y-	146
UK Growth (z)		-	102.4
Italian Gwth (z)		L-	1295
Spanish Gwth (z)		Pta-	168
Dutch Gwth (z)		Dfl-	5.0564
Belgian Gwth (z)		BFr-	89
French Gwth (z)		FFr-	10.1158
German Growth (z)		DM-	2.2200
Green (z)		$-	1.6242
Reserve Funds			
Dollar Reserve Acc (z)		$-	10.462
Dollar Reserve Dis (z)		$-	9.9828
Yen Reserve Acc (z)		Y-	1019
Yen Reserve Dis (z)		Y-	1003
D'mark Reserve Acc (z)		DM-	10.7932
D'mark Reserve Dis (z)		DM-	10.166
Stlg Reserve Acc (z)		-	125.34
Stlg Reserve Dis (z)		-	102.36
Bond Funds			
Peseta Bond Acc (z)		Pta-	252
Peseta Bond Dis (z)		Pta-	208

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Fears over US rates

DESPITE the announcement of better-than-expected April employment figures in Washington last week, the foreign exchange markets are still looking for clear signs of the long-awaited US economic recovery, *writes James Blitz.*

UK clearing bank base lending rate 10 per cent from May 5, 1992

On Friday, the dollar staged a small rally on the back of the rise in non farm payroll by 126,000. But uncertainty remains over whether the Federal Reserve may cut its Fed funds rate again, with analysts looking ahead to Wednesday's retail sales figures for any indication of movement. "We can't rule out another interest rate cut if those retail sales figures are on the weak side," says Mr Neil MacKinnon, chief economist at Yamaichi International in London. The market forecast is for a rise of 0.3 per cent.

Another cut in US interest rates would undermine investor confidence in the dollar, not least because German short-term interest rates are six points higher.

The recent strength of both sterling and the French franc against the D-Mark may also be tested by indicators in both countries this week. On Friday, the monthly UK Retail Prices Index is published, with the market expecting it to show a year-on-year rise in April of 4.4 per cent. Provisional consumer prices are published in France on the same day, with analysts forecasting a month-on-month rise of 0.3 per cent.

If the figures overshoot in either country, the markets may question whether their respective governments were wise to engineer a half per cent cut in base rates last week.

Trading in the yen may pick up again after the lull of recent days, which was mostly due to Japan's golden week holiday. Analysts have suggested that the yen could soon strengthen to Y130 to the dollar from its current position of around Y133.

£ IN NEW YORK

May 8	Close	Previous Close
£ Spot	1.7900-1.7910	1.7940-1.7950
1 month	0.96-0.95pm	0.96-0.95pm
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

May 8	Bank of England Index	Morgan Guaranty Changes %
Sterling	92.9	-19.0
[illegible]	[illegible]	[illegible]

STERLING INDEX

[illegible]

OTHER CURRENCIES

[illegible]

CURRENCY RATES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

May 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7860 - 1.8035	1.7865 - 1.7875	0.96-0.95cpm	6.41	2.76-2.74pm	6.16
Canada	2.1450 - 2.1635	2.1520 - 2.1530	0.48-0.62cpm	3.62	1.94-1.85pm	3.52
Netherlands	3.3075 - 3.3200	3.3075 - 3.3175	¼-parcpm	0.45	½-¼pm	0.45
Belgium	60.40 - 60.65	60.45 - 60.55	4-1cpm	0.50	10-5pm	0.50
Denmark	11.3600 - 11.3975	11.3825 - 11.3925	½-¾oredis	-0.33	½-1dis	-0.26
Ireland	1.0980 - 1.1020	1.1000 - 1.1010	0.02dis-0.01pm	-0.05	0.06-parpm	0.11
Germany	2.9400 - 2.9500	2.9425 - 2.9475	¼-parpfpm	0.25	¼-parpm	0.17
Portugal	244.50 - 246.50	245.00 - 246.00	83-121cdis	-4.99	198-255dis	-3.69
Spain	183.45 - 184.20	183.45 - 183.75	26-45cdis	-2.32	89-117dis	-2.24
Italy	2212.50 - 2218.50	2213.50 - 2214.50	3-5liredis	-2.17	10-12dis	-1.99
Norway	11.4750 - 11.5000	11.4850 - 11.4950	¼-¾oredis	-0.52	par-1¼dis	-0.22
France	9.8950 - 9.9225	9.8950 - 9.9050	¼-⅛cpm	0.23	½-parpm	0.08
Sweden	10.5925 - 10.6175	10.5925 - 10.6025	2-2¾oredis	-2.56	4-4¾dis	-1.67
Japan	237.75 - 239.50	237.75 - 238.75	1¼-1ypm	5.35	3¼-3⅛pm	5.46
Austria	20.66 - 20.72	20.67 - 20.70	1¼-¼gropm	0.40	3-½pm	0.34
Switzerland	2.7225 - 2.7375	2.7275 - 2.7375	¾-½cpm	1.10	1-¾pm	1.28
Ecu	1.4285 - 1.4350	1.4290 - 1.4300	0.01-0.05cdis	-0.25	0.01-0.10dis	-0.15

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.20-5.15pm. 12 Month 8.97-8.87pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7860 - 1.8035	1.7865 - 1.7875	0.96-0.95cpm	6.41	2.76-2.74pm	6.16
Ireland†	1.6205 - 1.6385	1.6235 - 1.6245	0.90-0.87cpm	6.54	2.56-2.49pm	6.22
Canada	1.1970 - 1.2020	1.1995 - 1.2005	0.27-0.29cdis	-2.80	0.78-0.81dis	-2.65
Netherlands	1.8320 - 1.8580	1.8530 - 1.8540	0.89-0.92cdis	-5.86	2.64-2.69dis	-5.75
Belgium	33.50 - 33.90	33.80 - 33.90	15.00-17.00cdis	-5.67	46.00-50.00dis	-5.67
Denmark	6.2975 - 6.3700	6.3650 - 6.3700	3.20-3.50oredis	-6.31	9.60-10.20dis	-6.22
Germany	1.6280 - 1.6485	1.6470 - 1.6480	0.84-0.85pfdis	-6.15	2.46-2.49dis	-6.00
Portugal	136.10 - 137.35	137.20 - 137.30	122-132cdis	-11.10	328-348dis	-9.85
Spain	101.90 - 102.95	102.85 - 102.95	75-77cdis	-8.86	217-222dis	-8.53
Italy	1226.00 - 1239.50	1238.75 - 1239.25	0.84-0.85liredis	-0.82	2.48-2.58dis	-0.82
Norway	6.3600 - 6.4325	6.4275 - 6.4325	3.40-3.70oredis	-6.63	10.15-10.65dis	-6.47
France	5.4850 - 5.5475	5.5375 - 5.5425	2.89-2.94cdis	-6.31	8.42-8.52dis	-6.12
Sweden	5.8725 - 5.9375	5.9275 - 5.9325	3.90-4.15oredis	-8.15	11.45-11.90dis	-7.88
Japan	132.10 - 133.45	133.30 - 133.40	0.10-0.11ydis	-0.94	0.27-0.29dis	-0.84
Austria	11.4680 - 11.5775	11.5725 - 11.5775	5.60-5.95grodis	-5.99	16.30-17.30dis	-5.81
Switzerland	1.5075 - 1.5325	1.5285 - 1.5295	0.66-0.67cdis	-5.22	1.86-1.88dis	-4.89
Ecu	1.2465 - 1.2610	1.2475 - 1.2485	0.69-0.68cpm	6.59	1.99-1.94pm	6.30

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

May 8	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.787	2.945	238.2	9.900	2.732	3.312	2214	2.152	60.50	183.6	1.429
$	0.560	1	1.648	133.3	5.540	1.529	1.853	1239	1.204	33.86	102.7	0.800
DM	0.340	0.607	1	80.88	3.362	0.928	1.125	751.8	0.731	20.54	62.34	0.485
YEN	4.198	7.502	12.36	1000.	41.56	11.47	13.90	9295	9.034	254.0	770.8	5.999
F Fr.	1.010	1.805	2.975	240.6	10.	2.760	3.345	2236	2.174	61.11	185.5	1.443
S Fr.	0.366	0.654	1.078	87.19	3.624	1	1.212	810.4	0.788	22.14	67.20	0.523
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. May 8) 3 months US dollars — bid 3¾ — offer 3⅞ — 6 months US Dollars — bid 3⅞ — offer 4⅛

[illegible]

MONEY RATES

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Jun	0.6521	0.6594	0.6498	0.6567
Sep	0.6446	0.6520	0.6425	0.6492
Dec	0.6384	0.6450	0.6375	0.6430

STANDARD & POORS 500 INDEX

$500 times index

	Close	High	Low	Prev.
Jun	416.70	417.40	414.05	415.95
Sep	417.90	418.60	415.30	417.20
Dec	419.50	420.10	416.80	418.75
Mar	421.70	422.00	419.00	420.90

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
1.700	8.75	8.75	8.75	8.76	-	0.12	0.69	2.16
1.725	6.30	6.30	6.44	6.71	0.03	0.46	1.24	3.01
1.750	3.85	4.05	4.47	4.99	0.07	1.03	2.07	4.12
1.775	1.62	2.43	2.95	3.63	0.35	1.98	3.17	5.50
1.800	0.34	1.29	1.85	2.62	1.69	3.39	4.70	7.10
1.825	0.01	0.60	1.09	1.86	3.79	5.24	6.45	8.83
1.850	-	0.22	0.59	1.26	6.17	7.37	8.43	10.78

Previous day's open int: Calls 317,808 Puts 524,023 (All currencies)
Previous day's volume: Calls 22,230 Puts 31,700 (All currencies)

LONDON MONEY RATES

May 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	9⅝	10	-	-	-	-
Company Deposits	-	-	10⅛	10⅛	10⅛	10⅛
Finance House Deposits	-	-	10⅛	10⅛	10⅛	10⅛
Treasury Bills (Buy)	-	-	9⅞	9⅞	9⅝	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.72	3.78	3.95	4.38
SDR Linked Dep Offer	-	-	6½	6½	6⅝	6⅝
SDR Linked Dep. Bid	-	-	6¼	6¼	6⅜	6½
ECU Linked Dep. Offer	-	-	10⅜	10⅜	10⅜	10⅛
ECU Linked Dep. Bid	-	-	10¼	10¼	10¼	10

Treasury Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; six months 9⅛ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.3907 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1992. Agreed rates for period May 26, 1992 to June 23, 1992, Scheme I: 11.75 p.c., Schemes II & III: 11.93 p.c. Reference rate for period April 1, 1992 to April 30, 1992, Scheme IV&V: 10.685 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from May 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991, Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	May 8	change		May 8	change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TOKYO			[illegible]	[illegible]	[illegible]
One month Bills	4¼	Unch'd	One mth. Interbank	9⅝	-1/16
Three month Bills	4⅛	Unch'd	Three month	9⅞	-1/16
BRUSSELS			MILAN		
One month	9⅞	+⅛	One month	12¼	-⅛
Three month	9⅝	-⅛	Three month	12⅛	-⅛
AMSTERDAM			DUBLIN		
One month	9.505	Unch'd	One month	10⅜	-⅛
Three month	9.515	Unch'd	Three month	10⅜	-⅛

FINANCIAL TIMES STOCK INDICES

	May 8	May 7	May 6	May 5	May 1	Apr 30	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.57	88.57	88.55	88.49	88.61	88.49	88.82	85.11	127.4	49.18
Fixed Interest	103.50	103.45	103.43	103.45	102.98	102.78	103.50	97.15	105.4	50.53
Ordinary	2134.7	2110.2	2107.2	2083.3	2081.7	2073.3	2134.7	1851.4	2134.7	49.4
Gold Mines	110.5	111.3	110.8	110.9	108.0	107.9	160.6	106.8	734.7	43.5
FT Act All-Share	1319.37	1306.82	1303.40	1288.53	1286.55	1282.75	1319.37	987.46	1319.37	61.92
FT-SE 100	2725.7	2701.9	2698.7	2662.2	2659.8	2654.1	2725.7	2382.7	2725.7	986.9
FT-SE Eurotrack 100	1188.95	1182.52	1182.62	1176.23	1175.00	1174.96	1188.95	1078.19	1188.95	900.45
FT-SE Eurotrack 200	1247.48†	1237.52	1232.81	1224.04	1223.64†	1222.07	1247.48	1120.52	1247.48	938.62

† Partial

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	FRIDAY MAY 8 1992: US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	THURSDAY MAY 7 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992 High	1992 Low	Year ago (approx)
Australia (69)	149.52	-0.9	124.05	126.03	128.07	132.31	+0.2	4.16	149.66	123.51	125.53	127.29	132.63	153.68	140.94	147.03
Austria (19)	165.05	-0.9	136.93	139.13	141.37	141.07	+7.5	2.07	165.99	136.98	139.24	141.18	141.29	186.70	162.48	198.46
Belgium (46)	141.16	-2.2	117.12	118.98	120.91	117.84	+5.9	5.16	140.84	116.23	118.13	119.79	116.87	145.19	135.87	135.74
Canada (115)	126.66	-7.1	105.09	106.76	108.48	110.06	-3.6	3.34	126.38	104.30	106.01	107.49	109.68	142.12	125.60	138.09
Denmark (35)	239.27	-10.4	198.51	201.69	204.94	207.22	-3.5	1.77	239.23	197.43	200.68	203.48	205.64	273.94	226.81	237.02
Finland (15)	81.43	+4.4	67.56	68.64	69.75	75.98	+12.2	1.96	81.80	67.50	68.61	69.57	76.12	89.80	73.64	114.50
France (105)	164.23	+9.2	136.25	138.42	140.65	142.72	+16.7	3.30	165.12	136.27	138.50	140.43	142.72	165.12	148.06	138.88
Germany (65)	118.81	+1.3	98.57	100.16	101.76	101.76	+10.0	2.28	119.70	98.78	100.42	101.81	101.81	122.84	114.67	110.51
Hong Kong (55)	232.53	+31.8	192.92	196.00	199.18	231.07	+31.2	3.53	233.15	192.41	195.56	198.31	231.71	233.15	176.36	153.92
Ireland (16)	162.16	-3.4	134.53	136.69	138.89	140.69	+4.0	3.77	162.33	133.97	136.17	138.07	140.24	173.71	151.78	157.90
Italy (78)	69.99	-7.2	58.07	58.99	59.94	64.76	+0.1	3.55	71.05	58.63	59.59	60.43	65.30	80.86	68.92	76.93
Japan (473)	101.67	-25.1	84.35	85.70	87.10	85.70	-20.1	0.99	102.34	84.46	85.85	87.06	85.85	140.95	88.70	139.56
Malaysia (68)	242.75	+13.3	201.40	204.61	207.92	236.06	+5.2	2.74	244.15	201.49	204.79	207.66	236.96	250.18	212.49	230.45
Mexico (18)	1640.66	+17.9	1360.68	1382.45	1404.76	5557.88	+20.2	1.05	1670.83	1378.88	1401.53	1421.13	5651.21	1789.77	1376.91	971.14
Netherland (25)	155.52	+1.9	129.02	131.09	133.21	131.56	+10.6	4.24	156.62	129.25	131.38	133.22	131.60	158.07	147.88	141.67
New Zealand (14)	44.62	-5.0	37.02	37.62	38.22	44.07	-4.5	5.80	44.53	36.75	37.35	37.87	44.02	48.52	42.01	54.44
Norway (23)	186.21	+4.2	154.49	156.97	159.50	162.52	+12.3	1.57	188.47	155.54	158.09	160.31	163.34	192.95	161.26	206.06
Singapore (38)	215.56	-1.9	178.84	181.70	184.63	163.76	-0.1	1.99	217.01	179.09	182.03	184.57	165.05	228.43	192.76	201.70
South Africa (61)	245.09	-1.5	203.34	206.59	209.92	181.92	+5.2	2.77	241.99	199.70	202.98	205.82	180.85	263.60	203.16	207.01
Spain (50)	152.68	-2.4	126.67	128.70	130.77	119.02	+3.9	5.09	151.65	125.15	127.21	128.98	117.53	160.47	146.86	159.42
Sweden (25)	191.76	+5.9	159.10	161.65	164.25	168.34	+13.3	2.69	191.51	158.04	160.64	162.89	167.27	191.76	173.09	176.78
Switzerland (59)	103.49	+3.1	85.86	87.24	88.65	98.10	+16.4	2.16	103.76	85.63	87.04	88.27	97.20	104.43	95.99	93.02
United Kingdom (228)	195.82	+5.7	162.46	165.04	167.71	162.46	+10.6	4.56	194.99	160.92	163.55	165.83	160.92	195.82	165.85	174.10
USA (522)	169.70	-0.1	140.80	143.05	145.36	169.70	-0.1	2.94	169.63	139.99	142.29	144.28	169.63	171.66	160.92	152.17
Europe (789)	152.75	+3.4	126.73	128.76	130.84	129.70	+10.4	3.79	152.80	126.18	128.26	130.06	129.03	152.90	139.31	139.90
Nordic (98)	179.94	-2.1	149.29	151.68	154.13	151.42	+5.2	2.14	180.11	148.64	151.08	153.19	150.61	188.52	169.66	177.23
Pacific Basin (717)	107.72	-21.4	89.37	90.80	92.27	91.38	-16.8	1.37	108.37	89.43	90.90	92.17	91.54	141.97	94.40	140.03
Euro-Pacific (1506)	125.94	-11.1	104.49	106.15	107.87	107.22	-5.7	2.54	126.40	104.31	106.02	107.50	107.05	145.21	113.60	140.32
North America (637)	167.01	-0.4	138.56	140.79	143.07	165.64	-0.3	2.96	166.92	137.75	140.03	142.00	165.55	169.69	158.70	151.21
Europe Ex. UK (561)	127.32	+1.7	105.63	107.34	109.08	110.85	+10.2	3.19	127.98	105.60	107.36	108.86	110.65	129.79	121.81	119.17
Pacific Ex. Japan (244)	167.29	+11.5	138.79	141.03	143.30	149.37	+11.0	3.64	167.71	138.41	140.70	142.66	149.83	168.44	149.00	144.43
World Ex. US (1700)	128.28	-10.6	106.42	108.14	109.88	109.43	-5.2	2.56	128.69	106.20	107.95	109.46	109.27	146.91	116.45	141.39
World Ex. UK (1994)	136.14	-8.0	112.95	114.76	116.62	124.54	-4.7	2.47	136.48	112.63	114.49	116.10	124.55	150.58	127.21	141.02
World Ex. So. Af. (2161)	140.59	-6.7	116.64	118.52	120.43	127.58	-3.3	2.71	140.86	116.25	118.17	119.82	127.46	153.05	130.04	143.57
World Ex. Japan (1749)	163.47	+1.6	135.62	137.80	140.04	152.41	+4.2	3.27	163.49	134.92	137.15	139.08	152.11	163.63	153.20	147.66
The World Index (2222)	141.26	-6.6	117.21	119.09	121.02	128.07	-3.2	2.71	141.52	116.79	118.72	120.38	127.94	153.70	130.66	143.96

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent change during the week ending 8/5/92: Deletion: Perrier (France).

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070
£2,000-£24,999 7.50 5.63 7.71 -
£25,000-£99,999 8.25 6.19 8.31 -
£100,000+ 8.75 6.56 9.04 -

NOTES— Gross. Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10.5	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10.5
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williamson Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10.5	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co.	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp	10.5
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		38⅝xd	-6	$1.20	FeMyAuNv	6.4	1503
♥Allegheny & W		270p	1.1	38c	-	-	-
Amdahl		985p	0.8	10c	NvMrJeAu	31.1	-
Amer Cyanamid		34	-2.2	$1.86	MrJeSeDe	4.3	-
Amer Express		12xd	-.7	$1.00	FeMyAuNv	31.3	1594
Amer T & T		24xd	-	$1.32	FeMyAuNv	27.3	1597
Ameritech		34⅝	-3.1	$3.52	FeMyAuNv	28.3	-
BankAmerica		26½xd	-.9	$1.30	FeJeSeDe	20.2	1744
Bankers NY		33xd	1.3	$1.52	ApJyOcJa	27.12	1745
Bell Atlantic		24⅛	-3.5	$2.68	FeMyAuNv	4.7	-
BellSouth		27	-3.8	$2.76	FeMyAuNv	5.4	-
♥Bethlehem Steel		8xd	4.7	-	MrJeSeDe	6.2	1821
Bowater		1390pxd	-4.9	$1.20	OcJaApJy	9.3	1884
CPC	h	22xd	-3.4	$1.20	JaApJyOc	30.3	2263
California Engy		714p	-1.5	-	-	-	-
Campbell Soup		19¼	-	78c	OcJaApJy	24.12	2050
Chase Manhattan		15xd	6.7	$1.20	FeMyAuNv	24.4	2109
Chrysler		10xd	-6.2	60c	ApJyOcDe	11.3	2135
Citicorp		10⅝xd	0.6	-	-	23.10	2141
Colgate-Palm		26xd	2.0	$1.08	FeMyAuNv	22.4	2184
Cont'l Bank		936p	-4.2	60c	DeMrJeSe	31.9	-
Dana		23½xd	0.3	$1.60	MrJeSeDe	26.2	2306
Data General		620p	1.4	-	-	-	-
Dial		19½xd	-2.3	$1.12	JaApJyOc	30.3	2778
Dun & Brad		29½	-.9	$2.28	MrJeSeDe	13.2	-
Eaton		43¼	-.9	$2.20	FeMyAuNv	2.2	2410
Echlin		10xd	3.9	78c	JaApJyOc	2.4	3046
FPL		19⅝xd	-	$2.40	MrJeSeDe	25.2	-
Fluor		24½xd	2.6	40c	JaApJyOc	19.3	2609
Ford Motor		25xd	-2.4	$1.60	MrJeSeDe	29.4	3615
Gen Elect		42xd	-.6	$2.20	JaApJyOc	4.3	2675
♥General Host		465p	0.2	34c	-	13.12	-
Gillette		27xd	1.9	72c	MrJeSeDe	29.1	2695
Hasbro	h	14½	-	13.3c	JaApJyOc	1.8	-
Honeywell		40½xd	-.5	$1.85	MrJeSeDe	25.2	2919
Houston Inds		24½	-1.0	$2.96	MrJeSeDe	10.11	-
IBM		52xd	3.4	$4.84	MrJeSeDe	8.5	2986
Ingersoll-Rand		34xd	0.5	$1.32	MrJeSeDe	13.2	2979
Lockheed		25¼	-3.3	$2.12	MrJeSeDe	15.2	-
Lowe's		2129p	-	56c	JaApJyOc	11.7	-
Merrill Lynch		27xd	0.2	$1.80	FeMyAuNv	30.4	3351
Morgan (JP)		32xd	2.0	$2.18	JaApJyOc	18.3	3418
Morris (Philip)		43xd	-.6	$2.10	JaApJyOc	11.12	5161
NYNEX		42	-4.3	$4.64	FeMyAuNv	27.6	4740
♥Pac Agri		51p	-	-	-	-	-
Pall		14	-6.7	38c	FeMyAuNv	24.1	-
Pennzoil		36½xd	-.5	$3.00	MrJeSeDe	26.2	3630
Quaker Oats		29xd	4.8	$1.72	JyOcJaAp	17.3	3738
Rockwell		13½xd	-1.1	92c	MrJeSeDe	12.2	3847
Rep NY		22⅝	3.3	$1.00	JaApJySe	10.3	3814
Sears, Roebuck		23xd	-3.4	$2.00	JaApJyOc	25.2	5191
Southwestern Bell		34	-3.2	$2.92	MyAuNvFe	4.7	-
Sun Co		16⅝xd	-2.5	$1.80	MrJeSeDe	5.5	4135
Tenneco		24xd	-1.1	$1.60	MrJeSeDe	11.2	-
Texaco		34¼xd	1.1	$3.20	MrJeSeDe	29.4	4200
Time Warner		60¼xd	2.5	$1.00	MrJeSeDe	19.2	4234
♥Unisys		480p	-	-	-	-	-
Utd Tech		29½xd	-2.9	$1.86	MrJeSeDe	25.2	4361
♥Unitech		88p	-	-	-	-	-
♦URS Intl 1c		0¼p	-	-	-	-	4364
US West		19	-2.5	$2.12	FbMyAuNv	14.4	-
Varity		825p	-3.8	-	-	1177	-
Waste Manage		21⅝xd	-4.4	44c	ApJyOcJa	13.3	4439
Whirlpool		2392pxd	-3.0	$1.10	MrJeSeDe	4.3	-
♥Woolworth		16	2.0	$1.08	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
♥Abbot Energy		2p	-	-	-	-	-
Amer Barrick		1341p	5.2	8c	Jun Dec	-	-
Bk Montreal		20	-3.0	$2.12	FbMyAuNv	2.8	1029
Bk Nova Scot		962p	-2.7	92c	JaApJeOc	30.8	1017
♥BC Gas		734p	-2.9	80c	FeMyAuNv	30.12	-
BCE		29½	-.6	$2.60	ApJyOcJa	12.6	-
♥Bracan		752p	-2.0	$1.04	JaApJyOc	28.18	-
♥Breakwater		25p	-10.7	10c	-	-	-
Can Imp Bk		1257p	-3.7	$1.32	FeApAuNv	29.8	1037

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Keia Minis IE	32	-6.6	–	–	–		-3741
Kenmare	3¾	—	–	–	–		-1463
Mekoga Res	30½	-10.3	–	–	–	–	–
Navan Res IE	23	-6.1	–	–	–		-1185
Northgate Expl C$	38½	10.6	–	–	–	10.77	–
North West Expl A$	3	—	–	–	–	–	–
Oryx Gold $	82½	-1.2	–		–		-3868
Ovoca Res IE	8	—	–	–	–		-1470
Plateau	8½	—	–	–	–		-3407
RTZ	608	6.7	19.5	17 Dec	Jul	23.3	3868
Vizcaya	7	—	–	–	–		-4193
Western & Pac C$	69	7.8	–	–	–	–	–
Young Grp	21	5.0	2.8	♦	Oct	9.90	5068

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution. this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed, dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. in Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. z Dividend includes a special payment. Cover does not apply to special payment. E Minimum tender price. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xC ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1250 a year for each security shown, subject to the Editor's discretion

London Share Prices

Real time share prices are available by calling FT Cityline on 0891 43 + the four digit code listed after the share price on this page. Calls charged at 36p/min cheap rate and 48p/ min at all other times.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions. British Data Management (Section: Business Services), CU Environmental Trust and Warrants (Investment Trusts).

Deletions: Chaange Consortium (Electricals), Pickwick (Hotels & Leisure) and Classic Thoroughbreds (Miscellaneous).

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices May 8

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27¼	20¼	Bowater	1.20	5.2	210	453	23⅛	23	23⅛	-⅛
23⅝	14⅝	Brazil Fnd				800	20⅝	20¼	20⅝	+⅛
31⅞	28⅜	BRE Prop	2.40	7.8	16	29	30⅝	30½	30¾	
54¾	41¾	Briggs & S	1.60	3.3	14	1220	49⅛	48⅝	48⅞	-1
41¼	30½	Brinkerlnt				32 363	36	35½	38½	-½
80⅛	71⅞	Bristol M	2.76	3.7	18	8262	76⅛	74⅞	75	-⅝
52⅛	39½	Brit Airwy	1.73	3.4	26	656	50⅝	50¼	50⅜	+⅛
49½	40¾	Brit Gas	2.60	5.5	11	1170	47⅞	46⅞	47¼	-⅞
68⅞	50¾	BP ADR	3.99	7.2	31	6584	55¼	54½	55⅛	-1¼
31⅞	27⅞	BP Prudhoe	2.48	8.3	9	233	29⅞	29¾	29⅞	
1⅞	¾	BP Wts93				528	⅞	4/32	¾	
15¾	11⅞	Brit Steel	1.70	11.3		83709	15⅛	14⅞	15	
63½	53⅞	Brit Tel	2.72	4.3	10	944	u63⅞	63¼	63¼	+¼
21	15¾	Brood Inc	0.20	1.2	11	326	16½	16¼	16⅜	-⅜
33	26⅞	BrklnPld	2.47	9.1		3	27½	27½	27	-½
30⅛	28	Brooklyn U	1.94	6.6	11	134	29⅝	29	29½	+⅛
90	72	BrwnFormnB	2.44	3.2	14	120	76⅛	75⅞	75⅞	-⅞
28¾	23⅛	Brown Grp	1.60	6.7	21	57	24	23⅞	23⅞	-¼
10½	8¼	Brown&Shrp	0.32	3.9	45	211	8⅛	d8⅛	8⅛	-⅛
24⅞	20¼	Browning F	0.68	3.3	17	7510	21½	d20¼	20⅝	-⅝
3⅞	2	BRT				1 65	2⅜	2¼	2⅜	+⅛
17¾	13⅝	Brunswick	0.44	2.6	56	2711	17	16⅞	17	-⅛
19	12⅜	Brush Well	0.20	1.2	9	96	17	16⅞	17	+¼
28⅞	25⅞	Buckeye Pr	2.60	9.3	10	33	27⅞	27½	27⅞	+⅛
16½	15⅝	Bunker Hil	1.52	9.4	0	13	16⅛	16⅛	16⅛	
13½	11⅛	Burger K I	1.56	11.9	15	28	13¼	13⅛	13⅛	+⅛
24¾	17	Burl Coat			13	151	24⅛	23⅞	24	-⅛
46⅞	38⅛	Burl North	1.20	2.6	16	2721	45⅞	45⅛	48⅞	+½
41⅝	33	Burln Resc	0.70	1.7	27	1802	41½	40⅞	41	-¼
18	14⅝	Burnham Pc	1.36	8.4	40	19	16⅛	16	16⅛	

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
41⅞	29⅞	StJoePaper	0.20	0.5	42	112	38⅛	37⅞	38	
34⅛	30⅛	StJosL&P x	1.72	5.7	12	78	30⅝	30⅛	30⅛	
75⅛	68½	St Paul's	2.72	3.8	7	430	70⅛	70⅛	70¼	+⅛
8⅛	2⅞	Salant Crp			1	41	6⅞	6⅞	6¼	-⅛
75⅛	60½	SallieMae	1.00	1.6	16	4928	62½	61½	62⅛	+1⅛
14⅛	13	Salomon Br x	0.60	4.4		447	13⅞	13⅝	13⅞	
33⅞	26⅞	SalomonInc	0.64	2.0	8	1844	32⅛	31	31⅞	+⅛
45⅛	42⅞	SanDgo G&E	2.88	6.4	12	691	45	44⅞	44⅞	+⅛
3⅛	2⅛	SantaFeEDu	0.40	12.3	16	7	3	2⅞	3	
9⅛	7	SantaFeErs	0.16	1.9	212	1171	8½	8¼	8½	+⅛
36⅛	30⅛	SantaFePac x	2.80	8.3	10	40	34	33⅞	33⅞	-⅛
14⅛	11	SantaFeSth			21	3059	12⅞	12⅞	12⅝	
57	46⅝	Sara Lee	1.00	2.1	16	2098	48	47⅛	47⅞	-⅛
9½	1¼	Savin			0	286	2⅛	2	2	-⅛
3¼	⅞	Savin 0.80	0.80	80	0	10	1	1	1	
44⅞	38⅞	Scana Corp	2.68	6.6	12	340	40⅝	39⅞	40¼	+⅛
47⅞	40⅛	Scecorp	2.72	6.2	13	3080	43⅞	43⅞	43⅞	
66	51⅞	ScheringPl x	1.56	2.9	15	4046	54½	53½	54	+⅝
66¼	62⅞	Sch'berger	1.20	1.8	18	6863	u66⅛	65⅛	65⅞	+⅞
37⅞	28½	Schwab(C) x	0.24	0.8	16	636	30½	29⅛	29⅛	-1⅞
10⅞	6⅛	Schwitzer			46	78	9⅛	9	9⅛	+⅛
19⅛	15⅛	ScientAtln	0.16	1.0	111	328	16⅞	16½	16⅞	+⅞
6⅝	7⅛	Scotsman	0.16	1.6	14	60	u6⅞	6⅛	6⅝	+⅛
46	34½	ScottPaper	0.80	1.8	27	432	44⅞	44½	44⅝	+⅛
16½	13⅝	ScuddrNAsF	0.18	1.1		58	16⅛	16⅛	16¼	-⅛
9¼	6⅞	ScuddrNEuF	0.30	3.3		138	9	8⅞	9	+⅛
24	16	Sea Cont x	0.70	3.9	9	125	17⅞	17¼	17⅞	-¼
16⅝	14⅞	SeaCt1.4625	1.46	9.5		2	15¼	15⅛	15⅞	-⅛

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s
13⅛	11⅞	Taurus Mun	0.85	6.9		
41⅞	38	Tasr Energ r	1.82	4.8	14	
22⅞	16⅛	Tektronix	0.60	3.2	13	
1½	⅞	Telecom Cp				2z100
28⅞	19⅛	Teledyne	0.80	3.5	43	
38⅛	28⅞	TeleEspSA	1.44	4.6		
60	45⅛	Telmex ADR	0.17	0.3		
57⅛	50	Templeton	0.96	1.8	21	
24	21	TempltEmMA	3.90	16.6		
9⅞	8⅞	TempltGlob	0.84	9.8		
9⅞	8⅞	TempltGFd x	0.84	9.2		
46	31⅛	Tenneco Inc	1.60	3.6	7	
21⅛	19½	Teppco Pt x	2.20	10.5	14	
20⅛	12⅞	Teradyne			17	
18½	12⅞	Terex	0.05	0.4	7	
6⅞	4⅞	Tesoro Pet			2	
65⅞	55½	Texaco	3.20	5.2	16	
54½	52	Texaco C	3.80	7.2		
25	19½	Texas Ind x	0.20	0.8	106	
40½	30	Texas Inst	0.72	2.0	14	
23⅛	18⅛	Texas Pac	0.40	2.0	38	
42	37	Texas Util	3.04	7.8	22	
10⅛	9⅞	Textl Pl	1.10	11.1		z100
9⅛	4⅞	Textl Inds	1.10	13.1	5	
39⅞	33⅝	Textron	1.12	2.9	10	
6⅛	4⅞	Thackeray				25z100
9⅞	8	Thai Cap				
18⅞	13⅛	Thai Fund	2.72	18.0		
47⅛	37⅞	ThermoElec			20	

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	66½	Xerox	3.00	4.2	17	2797	72⅝	71¼	72¼	+½
53½	50½	Xerox4.125				z100	52½	52½	52	-½
28½	24⅞	Xtra 1.94	1.94	7.2		9	27¼	27¼	27	
37	28½	Xtra Corp	0.80	2.4	12	27	33½	33⅛	33⅛	-⅛
27	25⅛	Yankee Egy	1.60	6.0	12	23	26⅝	26⅜	25⅝	+⅛
1½	½	Zapata			31	1142	1⅛	1	1⅛	+⅛
11⅞	6⅞	ZenithElec				44934	8⅛	7⅝	8⅛	+⅞
17¼	14½	Zenith Nat x	1.00	5.9	7	88	17⅛	17	17	-⅛
7	6	Zenix Inc	0.86	12.3		41	u7	6⅞	6⅞	
13⅛	11⅛	Zero Corp	0.40	3.5	17	234	11⅝	11⅜	11⅜	-⅛
38	32⅛	Zurn Ind	0.88	2.7	14	227	33⅛	32⅝	32⅛	-⅞
14⅛	12⅞	Zweig Fund	1.16	9.0		164	12⅞	d12⅞	12⅞	
11	9⅞	Zweig Tot	1.00	9.7		520	10½	10⅞	10⅞	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices May 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	27	1856	25⅞	24⅞	25⅛	+½
Pegasus G	0.10	31	472	12⅛	12	12⅛	+⅛
Perini		52	34	14⅜	14	14⅛	
Pet H&SP	0.31	13	13	u12¼	12⅛	12⅛	
Phil LD	0.25	15	663	36⅞	35⅞	36⅛	-⅛
Pitway A	0.70	17	320	u32⅛	31½	31½	-1⅛

NASDAQ NATIONAL MARKET

4:00 pm prices May 8

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wellcok		5	68	4⅞	4⅝	4⅛	
West One	1.04	14	80	41½	41	41½	+½
WstnPubl		27	1200	17¼	16⅞	17⅛	-⅛
Westmark		27	1395	58	54½	54⅛	-⅛
WstnCoal	0.32	10	24	17½	16⅛	16⅛	
Wet SealA		36	43	13⅛	12⅛	12⅞	+⅛
Wetterau	0.68	10	362	23½	22⅞	23½	+⅛
Wicat Sys		87	2094	4⅛	4⅛	4⅞	
Willmette	1.08	28	2765	72⅞	70⅛	72⅞	
WmsSonoma		88	563	13	d12¼	12⅞	-⅛
Wiser Oil	0.40	55	2	15½	15⅛	15½	
Wolohan L	0.28	14	172	20½	19½	20	+⅛
Wolv Expl		0	87	$\frac{7}{32}$	$\frac{3}{32}$	$\frac{3}{32}$	
WrtEx...			17	$\frac{3}{16}$	$\frac{3}{16}$	$\frac{3}{16}$	+$\frac{1}{32}$
Wthington	0.48	26	377	24	23¼	23¼	-⅛
WPP Group	1.11	1	4967	1⅞	1⅝	1$\frac{13}{16}$	+$\frac{3}{16}$
Wyman-Gdn	0.40	3	510	4⅛	4	4⅛	-⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	1448	27⅞	26⅞	27¼	+⅛
Xoma Corp		9	4310	17⅛	16⅛	16⅞	+½
Yellow Fr	0.94	25	608	31⅞	30⅛	31⅞	+⅞
York Rsch		48	2549	6⅛	5½	5⅞	+⅛
ZionsUtah	1.44	10	149	52½	51	51	-1½

MONDAY PROFILE

Billionaire populist on a mission

Jurek Martin profiles US presidential proto-candidate Ross Perot

It is customary in the United States to announce an intent to run for the highest office in circumstances of appropriate gravity. The backdrop of Mount Rushmore, with its four sculpted presidential heads, is not mandatory, but it is the sort of prop that helps. Ross Perot did it on Larry King Live.

Perhaps he was just cocking a snook at the political system with which he is so profoundly discontent. Perhaps he was being politically astute beyond all measure, for if the age of the telepopulist can be said to have dawned under Ronald Reagan, it is reaching its acme, or nadir, in this strangest of election years and in the as-yet-undeclared but widely assumed independent presidential candidacy of H (for Henry) Ross Perot.

It is easy to be dismissive, or adulatory, about Perot. The indomitable Molly Ivins, the best big journalist in Texas, probably sums it up best: "As Texas billionaires go, he is one of the best we got." The exception is that most of this breed do not range that far outside the oil "bidness" and buying a few senators and foreign potentates.

Perot is much more than this. He is a man of left and right, in favour of abortion and gun control and against the Gulf war, but opposed to welfare and a hero in the business world: the apolitical billion dollar action man with a mission to rescue the people from the travails of government, a Jimmy Stewart from hard-scrabble Texas minus 10 inches, with a crew cut, jug ears and, as Ms Ivins notes, "the voice of a chihuahua".

But he is also a fair-sized folk hero for his missions to find prisoners of war in Indo-china and to rescue his own employees from the Tehran mullahs, and he has compiled a corporate record worthy of envy, from the time when, not long out of the Navy, he met his annual IBM sales target by the middle of January. The ultimate entrepreneur, he started his own data processing company with $1,000 in 1962, sold it to General Motors 22 years later for $2.5bn, and, two years after that, was paid another $700m by GM to leave the board and shut up about the company's failings (which, characteristically, he did not).

But all this does not really explain why Perot is running close in national public opinion polls. After all, businessmen do not normally aspire to run the nation. The last 10 presidents have comprised eight politicians, a soldier and an actor, none of whom can really be said to have met a substantial payroll outside of politics and Jimmy Carter's peanut warehouse.

This may be part of the Perot populist appeal at a time of general disenchantment with politics as usual and with Messrs Bush and Clinton in particular. But the real clue to his phenomenal rise – and maybe ultimately to his political fall – lies in the medium he has chosen to carry him to a state beyond all rational expectations; and not just any medium, a very special and very popular one.

This is where Larry King Live comes in. Perot did not really announce a candidacy but artfully allowed it to be dragged out of him by the eponymous television talk show host, a gravel-voiced veteran of the late night, who wears trademark braces, keeps his sentences short and requires the same of those to whom he talks. Perot said he would run if the people put his name on every state ballot and, if they did, he had $100m of his own money to finance the effort.

Next stop was Phil Donahue (the daytime programme for housewives) and then 60 Minutes, the grandaddy of current affairs programmes and the accepted confessional for those who want to get something off their chest, and then David Frost, always good for respectability, as Richard Nixon found, and too many more shows to mention.

And if the public's perception of what he stood for remained hazy, they firmly grasped that one of the great tools of a Perot presidency would be the electronic town meeting, in which a wired country could simply call up its president and determine national policy. Perot told Frost this was exactly what he would do if raising taxes was an issue. Hang the Congress, stuff the Supreme Court, never mind the Constitution, this would be a personal relationship. Which is precisely the purpose – and the popularity – of most of the programmes on which Perot had appeared. It was indeed telepopulism in the raw.

But, having thrived by the sword, Perot must now endure its cuts. A week ago, after a particularly rough television session with professional political journalists asking a lot of boring questions about the feasibility of his budget cutting proposals, he confessed he had been badly advised.

For the record, he had said the $400bn budget deficit could be pretty much eliminated overnight by $180bn savings on fraud and waste, cutting $100bn from welfare, and getting Japan and other US allies to kick in another $100bn for the privilege of sheltering under the US defence umbrella. Beating a quick retreat, his campaign promptly announced that the proto-candidate would be giving no more interviews – not for 60 minutes but for 60 days.

This might be a brilliant ruse. Having excited interest, he can let Messrs Bush and Clinton get on with unimpressing the country and then descend again with enough thought-out policies to emerge as a saviour. He might also spend the time building the nuts-and-bolts national political organisation that his army of amateur volunteers does not yet constitute and the lack of which causes most independent candidacies to wither.

But it is also a big gamble. First, the two main candidates might establish themselves while he is out of the public eye, and being almost invisible in the wake of the Los Angeles disturbances has probably not helped his credibility, even if it has not necessarily enhanced that of the other two.

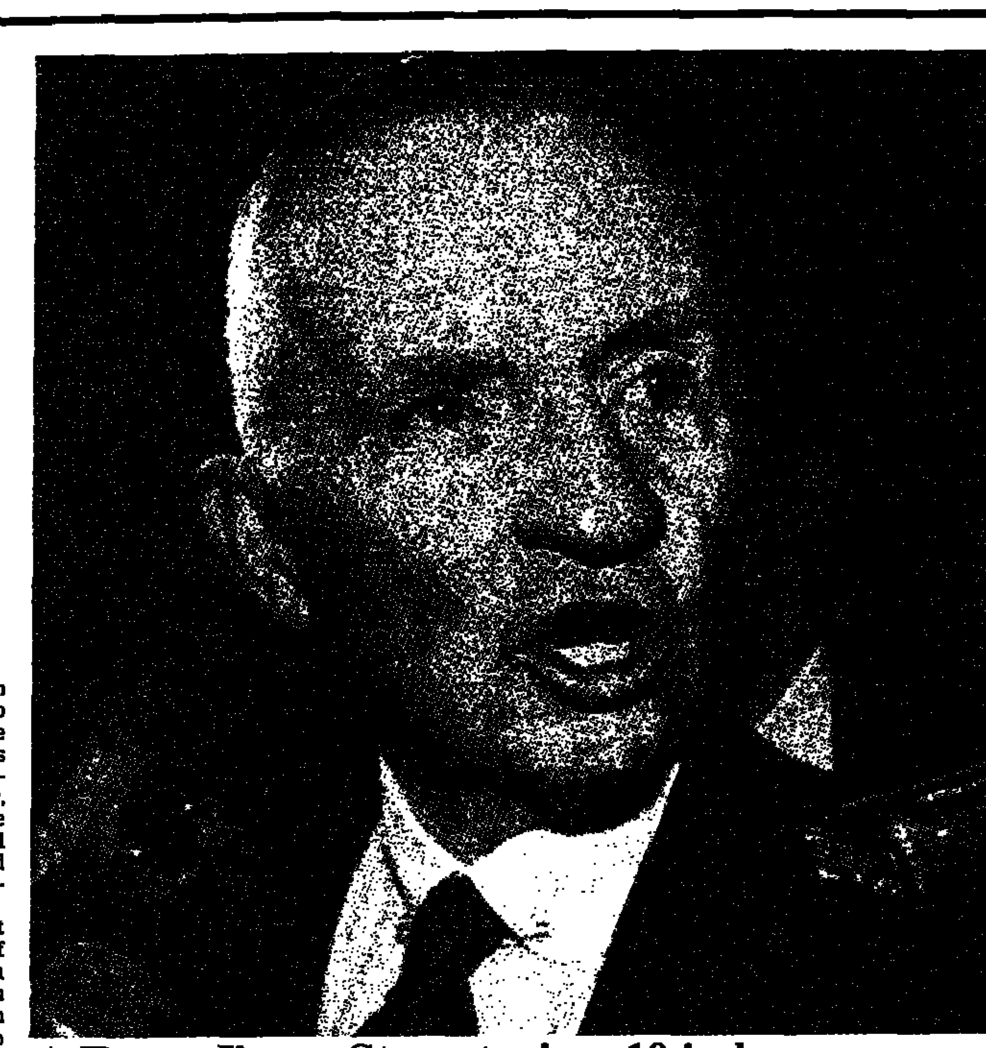
Second, and keeping very much in the public eye, a lot of awkward questions are now being asked about his conduct as a businessman and some of the things he has done for his government. This probing may not be worse than anything Bill Clinton has had to endure this year, but it is now a necessary rite of passage for a would-be president and it may be hard for a confessedly autocratic businessman to handle.

Further, though Perot is deeply critical of government, it is undoubtedly the case that he has waxed rich through dealings with it, from his first and fortune-making contract to computerise medical care payments in the 1960s, all the way to his current negotiations for federal assistance to develop his newest airport in Fort Worth.

Some of his extra-curricular activities on behalf of the government are being scrutinised. Running missions to Indochina and responding to an administration approach to bail out Du Pont, Glore, Forgan, the failing securities firm, in the early 1970s appear above board. But lending a helping hand and offering $50m to the Nixon White House's public relations effort over the Vietnam War and running errands for Ollie North of Iran-contra notoriety go down less well. Even the precise circumstances of the rescue in 1979 of EDS employees in Tehran, especially as glamorised in Ken Follet's novel Wings of Eagles, are now being questioned.

A final curiosity centres on his patent animosity towards George Bush. Ostensibly, it is because Perot believes the president has failed to lead, but there seems more to it. One suspicion is that Mr Bush's blocking of further attempts to find Americans missing in Indochina has infuriated Perot; another that it is rooted in the contrast between down-at-heel Texarkana, where he grew up, and the mahoganied oil clubs of Houston, which are Mr Bush's milieu.

Whatever the cause, there is one quality to Perot on which all agree. He remains a brilliant salesman. This, of course, is the essence of the populist tradition, regardless of whether the merchandise be computer systems or politics or snake oil or a combination of all three. The country, it seems, is tempted by the wrapping but it has not really tasted the ingredients.

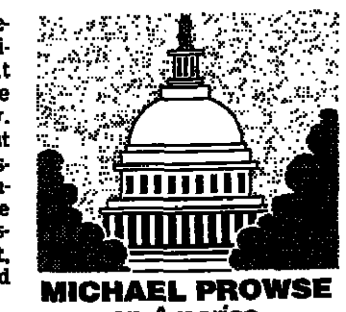


A Texan Jimmy Stewart minus 10 inches

PERSONAL FILE

- **1930** Born, June 27 in Texarkana, Texas. Educated US Naval Academy, Annapolis.
- **1953-57** Serves in US Navy.
- **1957-62** IBM salesman, Dallas.
- **1962** Starts up Electronic Data Systems Corp (EDS) with $1,000 investment.
- **1969** Attempts to organise relief airlift to US POWs in North Vietnam.
- **1984** EDS is sold to General Motors for $2.5bn.
- **1992** Perot declares intention to run for US presidency if 'drafted' in 50 states.

Mr Preston makes poverty his judge



MICHAEL PROWSE
on America

Suppose you are a middle-ranking World Bank official trying to put together a lending programme for a Third World country. What kind of loan will most enhance your promotion prospects? Judging from an unusually frank operational directive issued today by Mr Lewis Preston, the World Bank president, the answer is a loan designed explicitly to reduce poverty.

In a foreword to the directive, which is being distributed to Bank offices throughout the world, Mr Preston states: "Sustainable poverty reduction is the overarching objective of the World Bank. It is the benchmark by which our performance as a development institution will be measured."

Mr Preston was under no obligation to make such a strong pledge. The idea of putting greater stress on poverty originated with his predecessor, Mr Barber Conable. If Mr Preston, who has spent his entire career on Wall Street, had been unsympathetic to this shift in Bank priorities, he could have let the Conable initiative quietly lapse. Instead, he is serving notice of a cultural revolution: staff who expect to be upwardly mobile during his presidency had better make poverty reduction their top priority.

The sudden emphasis on poverty may seem rather confusing. After all, the Bank has been promoting economic development for more than four decades; surely this means that poverty alleviation has always been its "overarching objective". Alas, this is far from the case.

In its first few decades, the Bank was addicted to project lending. It supported investments that had high rates of return, but made no special effort to locate them in areas of poverty or to ensure that the worst-off groups benefited. In the 1970s, it became aware that the poorest often gained little from general economic development, but it lacked a comprehensive strategy for tackling poverty. During the Reagan-Thatcher years, poverty took a back seat; the Bank swam with the ideological current, making the promotion of economic efficiency and growth its primary goal. As today's directive openly concedes: "In the early 1980s, policy-based adjustment lending overshadowed the Bank's poverty reduction objectives."

Some conservative economists still argue that the Bank should strive mainly to promote growth, claiming that the poor will benefit from "trickle down" effects. Today's leading capitalist economies grew rapidly, the argument runs, precisely because a low priority was initially placed on alleviating poverty. But would the Industrial Revolution really have been aborted if Victorian mill owners had cared about poverty?

Modern research suggests not. By today's standards, the UK's Industrial Revolution was rather inefficient. Starting in 1780, the UK took 58 years to double its per capita income. In modern times, South Korea did the same in just 11 years. The acceleration partly reflects access to modern technology. But social policy also plays a role. If South Korea had paid as little attention to the education and health care of workers as Britain did in the 19th century, it would have developed less rapidly. By building "human capital", poverty alleviation adds to, rather than subtracts from, a country's growth potential.

The Bank's theoretical strategy for reducing poverty is well known. It consists of a "two-pronged" approach: economic reforms to promote labour-intensive growth supported by improved social services to allow the poor to take full advantage of income-earning opportunities. The importance of today's directive is to ensure that the crucial second prong is implemented. As Mr Sven Sandstrom, one of Mr Preston's top aides, warned in a briefing, too often sensible policies "are not followed through with sufficient vigour to have a significant impact".

The first important reform mandated by today's directive is a requirement that Bank officials undertake comprehensive poverty assessments in all client countries. No, you have not misread that sentence. For more than 40 years the Bank has tried to promote development without a road map – without a clear understanding of the extent and nature of poverty in the Third World. Poverty assessments will include profiles of the poor, details of existing safety nets, and summaries of the impact on poverty of existing government spending and regulatory policies.

The second important reform is a commitment to make loans conditional on social justice as well as economic efficiency. The directive states that the volume of loans should be linked to the strength of a country's efforts to reduce poverty. Or as Mr Preston's press release puts it: "Stronger government commitment to poverty reduction warrants greater support; conversely weaker commitment to poverty reduction warrants less support." The release also says the composition of lending will be tailored to support local efforts to reduce poverty.

Mr Preston's directive is an endorsement of Asian development strategies, which have generally placed considerable stress on social services. It makes a great deal of sense. But it will succeed only if pursued with firmness and tact. If "social conditionality" is to take hold in the 1990s, attitudes will have to change fundamentally, both within developing countries and the Bank. Mr Preston, however, has left no doubt of the criterion by which he expects to be judged.

JOTTER PAD

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 10.05.92 / Final Prices for Trading on 12.04.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.16	16.70	16.70
0100	17.15	16.68	16.68
0130	17.19	16.85	16.85
0200	17.31	18.37	18.25
0230	18.70	18.37	18.24
0300	18.70	18.37	18.24
0330	17.16	16.85	16.85
0400	17.15	16.76	16.76
0430	17.14	16.73	16.73
0500	17.14	16.70	16.70
0530	17.18	16.71	16.71
0600	17.15	16.70	16.70
0630	17.15	16.70	16.70
0700	17.16	16.66	16.66
0730	17.18	16.71	16.71
0800	17.19	16.73	16.73
0830	18.74	18.24	18.16
0900	18.74	18.24	18.15
0930	18.74	18.24	18.15
1000	19.68	17.79	19.73
1030	20.61	18.08	20.00
1100	20.63	18.06	20.00
1130	20.63	18.08	19.99
1200	24.90	19.20	21.16
1230	24.90	22.71	24.76
1300	24.90	22.71	24.76
1330	24.90	18.08	20.00
1400	20.63	18.08	20.02
1430	20.63	18.03	19.99
1500	17.19	16.76	16.76
1530	17.18	16.76	16.76
1600	17.16	16.73	16.73
1630	17.16	16.73	16.73
1700	17.16	16.73	16.73
1730	17.17	16.74	16.74
1800	17.18	16.73	16.73
1830	20.63	17.79	19.75
1900	20.63	18.03	20.00
1930	20.63	18.08	20.03
2000	20.63	18.08	20.01
2030	20.63	21.94	23.97
2100	24.90	22.70	24.75
2130	25.00	22.70	24.75
2200	25.00	22.70	24.76
2230	24.90	20.27	22.25
2300	21.49	18.08	20.02
2330	18.86	16.75	16.75
2400	18.51	16.73	16.73

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

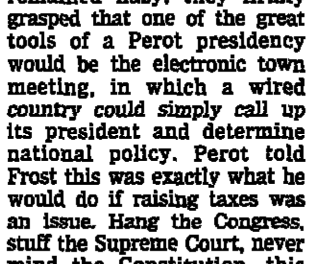
Provisional Price for Trading on 11.05.92 / Final Prices for Trading on 13.04.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.16	16.71	16.71
0100	17.15	16.73	16.73
0130	18.96	16.85	16.85
0200	18.74	17.44	18.32
0230	18.96	17.44	18.32
0300	17.44	17.44	18.33
0330	17.19	17.44	18.33
0400	17.16	17.44	18.35
0430	17.17	16.81	16.81
0500	17.16	16.75	16.75
0530	17.18	16.85	16.85
0600	17.16	16.81	16.81
0630	17.17	16.91	16.91
0700	17.32	16.90	16.90
0730	21.11	19.34	20.30
0800	23.22	20.64	21.69
0830	25.03	27.13	28.58
0900	25.09	27.66	29.22
0930	25.10	27.77	29.34
1000	25.09	27.79	29.37
1030	25.08	27.68	29.21
1100	24.94	27.46	28.92
1130	26.68	27.43	28.88
1200	26.74	27.33	28.75
1230	26.69	27.06	28.41
1300	26.59	22.03	23.14
1330	24.27	20.76	21.75
1400	23.94	20.11	21.06
1430	23.91	19.76	20.72
1500	23.91	19.77	20.71
1530	23.93	19.77	20.71
1600	23.94	19.77	20.71
1630	26.47	19.79	20.73
1700	26.48	19.79	20.74
1730	23.91	19.64	20.58
1800	23.66	19.63	20.56
1830	23.66	19.31	20.23
1900	23.66	19.31	20.23
1930	21.11	17.04	17.04
2000	21.11	17.04	17.04
2030	17.48	24.50	25.57
2100	26.45	24.50	25.56
2130	26.45	24.50	25.56
2200	26.45	22.67	23.69
2230	26.45	18.91	19.83
2300	20.14	17.07	17.07
2330	19.84	16.85	16.85
2400	17.21	16.77	16.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

The debaters could do better



IAN DAVIDSON
on Europe

Debate on the Maastricht Treaty in the French parliament is presenting an absorbing spectacle of the French political establishment at work. After an abortive rearguard attempt by an old-style Gaullist to have the treaty thrown out altogether, the National Assembly last week ploughed into a three-day debate, in which all the party spokesmen delivered their weighty speeches. This first phase of the process will be wound up tomorrow with, probably, a solid vote in favour.

What the debate has revealed so far is that there is an unexpectedly large minority in the National Assembly, and probably therefore an even larger minority in the country at large, which is passionately opposed to the European Community and all it stands for. The Communists, of course, all voted en bloc for the rearguard action; but the fact that nearly half the Gaullists did so as well was much less expected.

We should not have been surprised. The federalist tendencies in the Maastricht Treaty are deeply at odds with the nationalist values of Gaullism; it was after all an alliance between Gaullists and Communists which finally defeated the ill-starred project for a European Defence Community in 1954. Many of the Gaullist faithful were likely to answer the call to fight the federalists.

Yet even the Gaullist party leadership was taken by surprise. Some say that Maastricht has prompted the most intense French debate on Europe since the Treaty of Rome in 1957. It is nearer the truth to say that it has prompted the *only* real debate on Europe since 1957. In practice, discussion of Europe has been stifled, for two reasons.

First, the French treat the European Community as a branch of foreign policy, which comes under the exclusive authority of the president; the French parliament is told what happens in Brussels, but is not consulted. When the Single European Act came up for ratification in 1986, Mr Jacques Chirac and the Gaullists were in power; they did not presume to reject it.

Second, although Mr Chirac is uncontested leader of the Gaullist party, he appears to have no political convictions on anything. On Europe he has taken refuge in ambiguity, and his party has not been forced to decide where it stands.

As an ancient and centralised unitary state, France is challenged by the Community model

The Gaullists' official ambiguity on Europe was glaringly obvious last week. Socialists, centrists and the centre-right UDF all set out their views on the future of the Community; they mostly approved the Maastricht Treaty and the general direction it was pointing.

But Alain Juppé, secretary-general of the Gaullists, was careful not to describe a Gaullist vision of Europe. He said the Gaullists would vote yes to the treaty, provided the government introduced a long list of domestic safeguards; although how he could promise any such thing is a mystery.

Among other changes, he wanted the French constitution to say that French sovereignty is inalienable, that the Community is composed of a union of independent states, that France will continue to have an ultimate right of veto in Brussels, and that the National Assembly will in future be consulted on Community legislation. By contrast, the Gaullists would not agree to give the vote in local elections to residents from other EC countries.

This insistence on sovereignty is understandable. As an ancient and centralised unitary state, France is challenged especially deeply by the Community model: the one is Jacobin, universalist, interventionist and assimilationist; the other is liberal, pluralist, decentralised and quasi-federal. It is not just the Gaullists who feel this clash of political culture.

Yet it is a pity that the French debate has largely side-stepped two major strategic dilemmas* facing the Community. The first is the nature of European union; if this is the aim, Europe's parliaments and peoples will need a much clearer and more explicit explanation than could be deduced from the current French debate. To claim that we cannot foresee the final stage is just a facile excuse: every extra step will become more difficult for national political systems, and the full implications must be spelled out, debated and accepted.

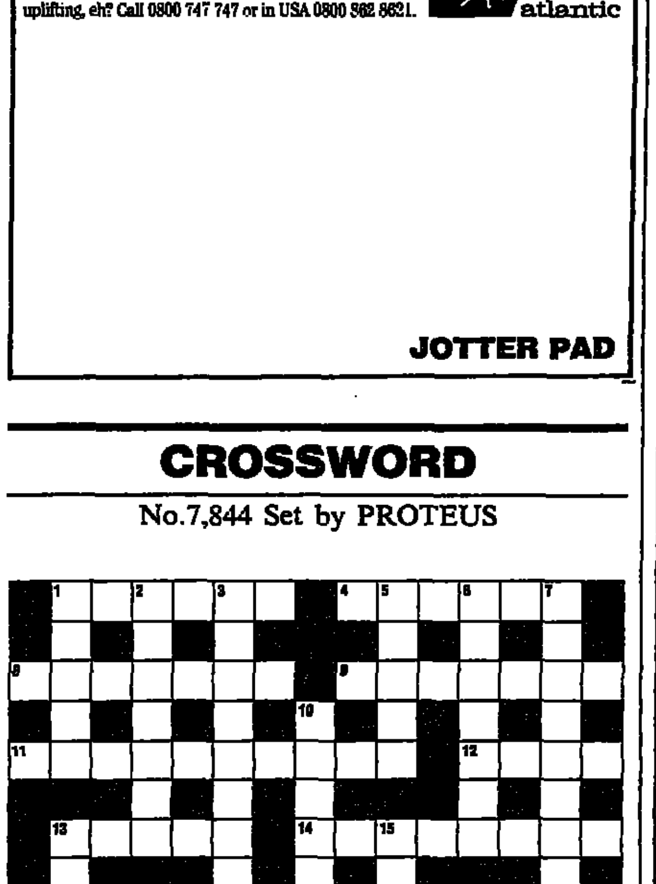
The second strategic dilemma is that of enlargement. There is a foolish but common assumption that the Community has an obligation to admit 10 or 20 new members. Yet it is plain that a 30-member Community could not create a real European union, and would probably fall apart. Do the advocates of limitless enlargement, like the Gaullists and the British Conservatives, really want a Community which is dominated by small countries, many of which are neutral? They do not tell us.

We can be sure that this will not be France's last big debate on Europe. We must just hope that practice makes perfect, and that they will do better next time.

* *L'Europe en Danger, Laurent Cohen-Tanugi, Fayard, FFr98.*

CROSSWORD

No.7,844 Set by PROTEUS



ACROSS

1 *Model having problem about* large bill (6)
4 Distribution of good things to eat? (6)
8 Fairly leisurely article on Italian poet (7)
9 Iterates what consumer does to traveller (7)
11 Resolved to be firm (10)
12 Change religion from emotional shock (4)
13 *Mother has boy, a builder* (5)
14 Former railwayman engaged in trade (8)
16 Made up of various kinds when classified (8)
18 Flat start to occasion (5)
20 Gin some knock back (4)
21 Rivals who cheat nurses for example (10)
23 Island is no setting for large house (7)
24 *What ham may do in a covert* fashion (7)
25 Shield sailor has to obtain (6)
26 Judge ship on stormy seas (6)

DOWN

1 *Writer on church finance?* (5)
2 Youngsters at barbers (7)
3 Oriental meat isn't served at small café (9)
5 Implore pack-leader to go first (5)
6 Voter having to choose alternative (7)
7 It may clean put a chap off (9)
10 Mean to get a book on French public official (9)
13 *Scoundrel* perpetrating crimes on social worker (9)
15 Keeps quiet on available assets (9)
17 He is against work being given to model (7)
19 Complete rose-planting at back? (7)
21 Split part of garlic bulb (5)
22 Stocks could be right ones (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 23.

BUSINESS AIR TRAVEL

As the world tentatively begins to recover from recession, airlines are putting in place programmes to ensure that they win a growing share of the business market. European airlines are adopting many schemes common in the US, reports **Daniel Green**

An Aladdin's cave of inducements

BUSINESS AIR travellers are being wooed by the airlines as never before. Airline marketing teams have been working ferociously to win passengers and establish market share before economic recovery brings business passengers *flocking to the travel agents.*

This is in stark contrast with the past 18 months. The trough in world economic activity saw airlines holding on grimly to existence, with varying success. As corporate revenues dwindled in businesses worldwide, company executives cut spending in many departments *including* air travel.

This matters a lot to airlines. *Business air travellers occupy* a special place in the hearts and wallets of industry executives. "We make our money at the front of the aircraft," says one US manager. At Lufthansa, the German state carrier, the top 20 per cent of customers provides 56 per cent of revenues on its European routes.

In the spring of 1992, there is much talk of recovery but little sign of it. Carriers are continuing to sell heavily discounted tickets, *and last month US airlines* began a price war on their domestic routes. It followed cut-throat competition on lucrative North Atlantic routes which saw fares fall by one third.

The battle has been joined with such ferocity because this is a critical moment for the industry. Recession-bound customers are on the point of returning to the skies and airlines feel they must now buy that most elusive of commodities, customer loyalty.

Virgin's move is classic airline management: improve service to the business passengers *and leave price cuts for* leisure travellers

Discounted fares represent only one gem in an Aladdin's cave of inducements *to fly.* The early 1990s has seen an explo*sion in* the *the number of* gaudy incentives aimed at securing business passenger loyalty. They include special lounges, limousines to the airport, free gifts chosen from the catalogues of expensive stores, on-board massages, beauty therapy, individual video screens on board and more.

Most popular are frequent flyer programmes, where passengers collect points on the basis of the distance travelled and then use the points later to *obtain upgrades* to business, *or* first class, or free tickets.

Frequent flyer programmes were developed in the US and have now spread to the UK. Large continental European airlines are thought to be studying the idea and "it is only a matter of time before they launch their own programmes," says an executive of one US airline.

The attraction of frequent flyer programmes to passengers is strong. A survey of business travellers by the International Air Transport Association last week shows that 98 per cent of US passengers were members of a scheme. The figure for UK resident business travellers was 63 per cent.

But the power of such programmes is limited. The same Iata survey showed it ranked only fourth on the list of passenger preferences. And giving away seats might be simple in a recession, but airlines risk losing valuable fare paying passengers as points are redeemed after the recovery is under way. The search is on, therefore, for new ways to attract passengers.

The flavour of 1992 is "product segmentation". Now that computers minutely analyse changing *patterns of ticket* demand, airlines can create products *for very specific* groups of passengers. Virgin Atlantic Airways last week launched a "Mid Class" ticket intended for the small minority of economy class passengers who buy full-price tickets. These passengers are almost entirely travelling on business.

Virgin's move is classic airline management: improve service to the business passengers and leave price cuts for leisure travellers.

The Iata survey supports this strategy. It showed about 90 per cent of business travellers declare bigger seats to be the most desired benefit of travelling in business class.

Other airlines are following a *similar route, with small independent* carriers quickest off the mark. Austria's Lauda Air last week reduced its three abreast business class seating to two on its London to Vienna route. Canadian Airlines International is offering business class seats to passengers who pay full economy class fares. And TAT, in France, is advertising its short haul European services and "all business *class" although this refers* more to the flexibility of the ticket than bigger seats."

In the deregulated US market, such innovations have been common practice for a long time. Some carriers added business class to previously two-class domestic aircraft routes late last year.

But the price war on domestic US travel last month was more about cutting the published prices of business class and full-fare economy tickets *than* bigger seats. The *move* was partly to do with the continuing recession: the Iata survey showed that 28 per cent of passengers worked for companies which had cut their travel budgets. In 10 per cent of cases, the cut had been of more than 20 per cent.

It was also to do with the precarious state of the US airline business. The biggest US airlines, American and United, *which initiated the cuts,* wanted to reduce the plethora of *discounted fares. By so* doing they might cut the ground from beneath their ailing rivals such as TWA and Continental.

These two, and others, and have filed for protection from their creditors under US Chapter 11 legislation. Mr Robert Crandall, head of American Airlines, has been the vocal leader of a lobby which accuses the US bankruptcy *laws of allowing weak airlines* to damage strong ones. The *laws are designed to allow* failed businesses to keep functioning while a rescue package is put together. Mr Crandall and others allege this allow carriers to set fares only to meet current costs, not investment programmes.

When recovery comes the shape of the battleground will change. Airlines will want to soften their sales pitches; they will want to give high paying *business clients the personal* touch they have paid for, but *more* cheaply than by giving away seats through frequent flyer programmes.

One way to do this is through technology. Automated check-in machines that speed passengers past check-in desk queues are already being installed in airports. These machines print *out* a boarding card after the passenger has fed in a ticket and specified smoking or non-smoking and window or aisle preferences. They are already working in some airports such as Charles de Gaulle in Paris. British Airways intends to begin installing automated boarding card machines at its check-ins around the world *later this* year.

To *Virgin Atlantic, this* approach is abhorrent. "We are a people based industry. The check-in is the human contact with the passenger, we don't want to replace that because it degrades customer service," says Mr Paul Griffiths, Virgin's commercial director.

Mr Chris Byron, head of service delivery at BA sees no conflict between the impersonality of automation and the need *to provide a personal* touch. "Queues are not the best place for personal service. The objective is to speed up the *processes and not* to reduce the number of people involved on *the airline side.*" He says that automation can help airports that are already overcrowded to cope with the increasing passenger flows.

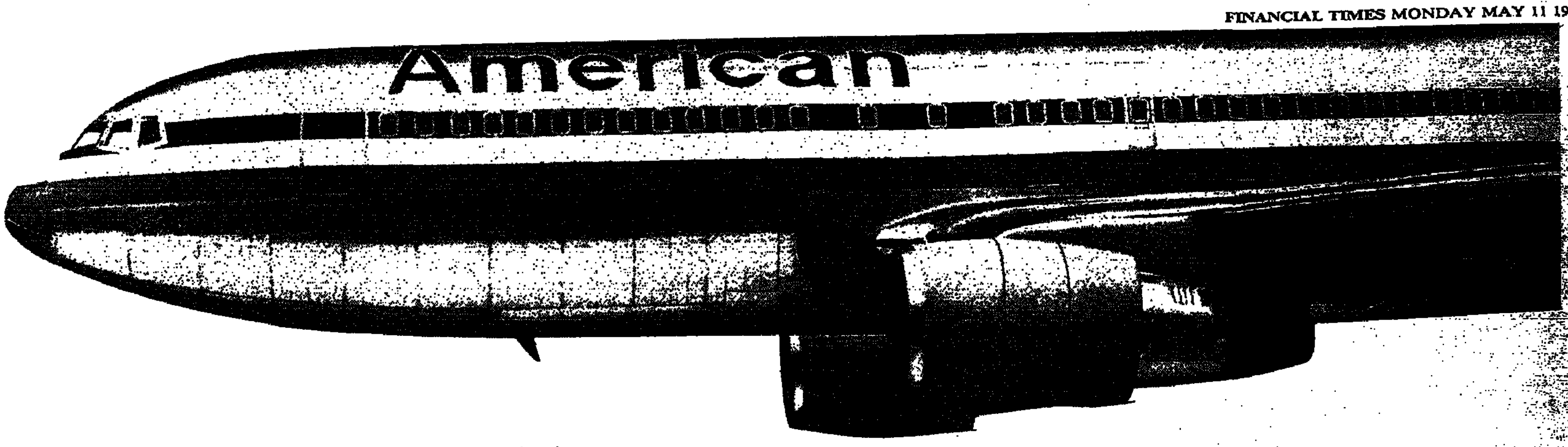
Baggage is next in line. BA is already using bar coded baggage tags that are machine read in the new Terminal 4 at London's Heathrow airport to direct baggage to the correct aircraft. The bar codes will be replaced over the next two years by magnetic stripes, which can contain more information, such as which freight container the luggage is in.

Such developments are a far cry from the expense of giving away free seats through frequent flyer programmes, or *reducing the number of seats.* For the airlines it is a means of adding reliability to their service while keeping costs under control. It is an unspectacular kind of service that could have its day, if and when economic recovery pushes demand for air travel closer to the level of supply.

A Boeing 747-400 of Japan Air Lines makes a night landing at Changi International Airport, Singapore. Now, with talk of recovery in the air, the battle is on to win business passengers returning to the skies Picture by Glyn Genin

IN THIS SURVEY

Editorial production Gabriel Bowman



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Tony Andrews

Richard Branson at the launch of Virgin's "mid class" seating on routes to America

NON-STOP RETURN FARES* TO NEW YORK FROM EUROPEAN CITIES

City	Carriers	First class	Business Class	Notes
Amsterdam	KLM	2,844	1,610	
Athens	Olympic	1,397	788	10 per cent discount widely available. 15-18 per cent discount on stopover flights on many other airlines.
Brussels	Sabena American	2,860	1,618	
Frankfurt	Lufthansa, Delta, TWA, Continental	2,713	1,537	
London	BA, Air India, American, United, Continental	3,670	2,122	Concorde 4,158
	Virgin	2,122	2,318	'Upper class' only. Full price (£720) economy ticket holder gets wider seats in "Mid Class"
	Kuwait Airways	weekday 1,479	weekend 1,039	
Milan	Alitalia Delta	2,802	1,588	
Paris	Air France, American, Delta	3,151	1,777	
Zurich	Swissair, American, TWA	2,825	1,677	

* All fares in sterling. Prices are for fares leaving Europe on April 27 and returning on May 1. Fares were booked at the end of March and the exchange rates at the close on April 3.

Daniel Green reports on the changing shape of competition on key routes

New names cross the North Atlantic

ANY PASSENGER who shunned the North Atlantic during the recession, but who now decides that business prospects are good enough to return to the skies to search for new orders overseas is likely to encounter a rather different world.

In the space of less than a year, the shape of competition on North Atlantic routes has changed radically. The collapse of Pan Am last year showed that the North Atlantic is no friend to an airline in trouble, while the other grand old name of the business, TWA, is languishing under the protection of US bankruptcy laws. These two have been replaced on the North Atlantic by the two biggest US airlines, American and United.

It is more than just a change of names. American and United are the fit survivors of the viciously competitive US domestic market: United has more than half as many employees again as British Airways, it has almost 500 passenger aircraft and carried 170,000 passengers a day even in last year's depressed market.

American is the bigger of the two across the Atlantic. If the name is unfamiliar to any European business passengers it is because a year ago it had less than one third of its present capacity operating on routes between North America and the UK.

American and United have announced their arrival in Europe with a storm of advertising and promotion. Passengers are still scarce, and ticket discounting widespread, but two are determined to grab market share.

The potential rewards are high in this, the busiest of long-haul air corridors. There is already evidence that the arrival of the two newcomers is heralding rising prices across the North Atlantic. Published fares in 1992 are 8-10 per cent higher than last year, says Mr Paul Karos, airlines analyst at First Boston in New York. Although discounting means that published fares bear little resemblance to the actual prices paid for tickets, it is easy for airlines to rein back the discounts if business picks up.

The conditions for such a recovery are in place. Not only is there optimism about the prospects for the world economy as a whole, but capacity can be filled more quickly because the Boeing 747 fleet operated by TWA and Pan Am has been replaced by a mixture of smaller Boeing 767s, DC-10s, as well as 747s.

Capacity will be most intensively utilised on flights to and from the UK, says Mr Karos, partly because of the change of aircraft. This conclusion is supported by a Financial Times survey of the cost of business class and first class flights between various European centres and New York (see table). London has the most expensive fares, Paris is in second place, and Zurich, Brussels and Amsterdam are close behind.

Flights from the UK are more than just the cherry on the North Atlantic cake. The UK is by far the biggest European market for non-stop flights to and from the US. One third of all transatlantic capacity uses UK airports.

British Airways is the biggest operator, taking 40 per cent of that market. In second place is American Airlines with 14 per cent, United has 11 per cent and Virgin 10 per cent, according to a Reuters survey.

Although airlines are trying to push fares higher, discounting is rife: there has already been one vicious price war this year on the North Atlantic which saw some fares fall by a third in one week.

Competition is also likely to intensify on fronts other than just fares. European airines are catching up with their US counterparts in one of main marketing weapons used by US airlines: frequent flyer programmes. These have been enormously popular – Iata says that 97 per cent of business travellers resident in the US are members. The figures are much lower in Europe partly because European carriers have in the past participated with limited enthusiasm as junior partners with US carriers.

This is changing. "We are now seeing the European carriers launching their own programmes," says Mr David Coltman, vice-president of United Airlines' Atlantic division.

British Airways is leading the way. Until a year ago, BA participated in frequent flyer programmes operated by United Airlines, American Airlines and others. In the spring of 1991 it began its "Air Miles" promotion. It has now linked it with other incentives aimed at business travellers, such as use of executive lounges.

Both Air France and the German carrier Lufthansa are said by industry sources to be preparing to launch similar schemes.

Frequent flyer programme are popular with passengers, but they have their dangers for the industry. Airlines acknowledge privately that the backlog of free seats to be redeemed could squeeze out fare-paying passengers.

One solution is to have strict time windows on when the free seats offers can be exercised. But this might reduce the attractiveness of the schemes. Marketing strategists are also aware that as more airlines jump on the frequent flyer programme bandwagon, their effectiveness as marketing tools – to differentiate between rival airlines – diminishes.

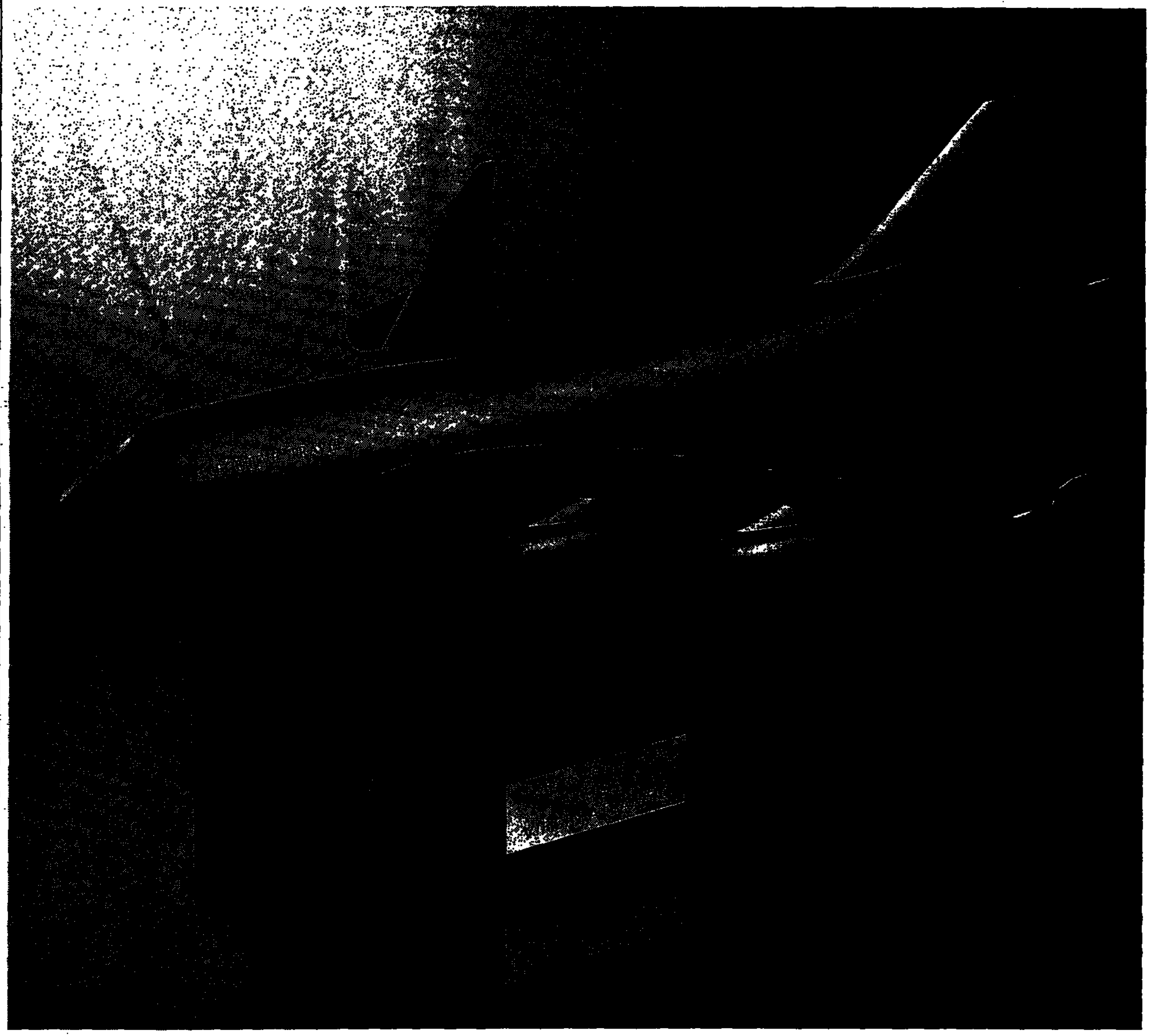
In the knowledge that frequent flyer programmes could become progressively less effective, US carriers have been carrying out their own private surveys of what UK business passengers value on transatlantic flights. The most requested items include sleeper seats, seat selection at time of purchase, not having to sit next to anyone, and a special lounge.

Virgin Atlantic's launch last week of a Mid Class, with wider seats for economy class passengers who have paid full price for their tickets, reflects these priorities. But Virgin's is also a move that should raise the average fare it receives for a ticket. As such, it is part of the industry-wide strategy of raising fares.

This strategy can only be helped if economic recovery pushes up demand. In an increasingly liberalised environment, competition is the main force that might limit the rises.

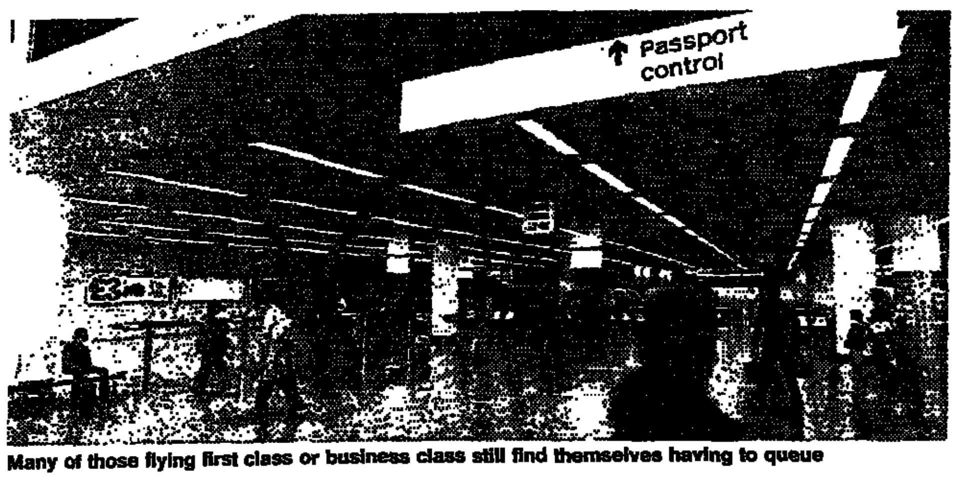
"The new US rivals are stronger than the companies they replace," admits Mr Paul Griffiths, Virgin Atlantic's commercial director.

Business passengers must hope that the market will make sure any price rises are small and accompanied by genuine improvements in service.



David Churchill on how services may be improved

Focus shifts to the ground



Many of those flying first class or business class still find themselves having to queue

THE NEXT revolution in business air travel in the 1990s will most probably not come from enhanced in-flight services but from the less glamorous, but arguably more important, improvements in services on the ground.

The way in which business travellers book flights, get to and from the airport, check in and then make best use of their time in the terminal is becoming as important to the business traveller as the size of seat in-flight.

But with international airlines unlikely to be in the position, given the economics of international air travel, significantly to increase the size of seat for business travellers this decade, the attention of the airlines is thus focused firmly on the ground.

British Airways, for example, recently opened a 20,000 sq ft lounge at Heathrow's terminal one for its Club Europe passengers which it claims to be one of the largest at any European airport. The aim is to provide an area for frequent business travellers away from the bustle of the main terminal. The lounge has some 40 telephones as well as fax machines and photocopiers.

The importance of this lounge is its capacity: it can hold up to 400 travellers at any one time, which is estimated by BA to be in line with demand.

BA is not alone in improving lounge facilities at its home base: most other international airlines are seeking to improve their business lounges at their operational bases. KLM, for example, has opened a new lounge similar in scope to BA's at Amsterdam's Schipol airport; Singapore Airlines has an opulent lounge at Changi; while Air France's facilities at terminal two at Charles de Gaulle airport in Paris are spacious and stylish. Over at terminal one, where most other carriers fly from, the story is different with far less salubrious accommodation for business travellers.

The problem, however, for travellers is gaining access to airline lounges when flying away from the airline's home base. Even when their preferred carrier has a lounge, this is often small and cramped. Executives frequently find they are reduced to joining the throngs in the main departure lounges. Clearly, this is an area where the airlines are keen to improve their services, although the problem is restrictions on space at most international terminals.

Probably the most significant on-the-ground development in recent years has been the introduction of free limousine services for some business travellers. It was Mr Richard Branson's Virgin Atlantic which first brought this innovation to the UK; originally its Upper Class passengers qualified for a limousine to and from the airport only within a radius of 40 miles from the airport. Now it offers a limousine transfer from any mainland point in the UK.

Other international airlines have, not surprisingly, emulated Virgin's approach rather than lose valuable executive travellers. But not all offer this service from anywhere in the UK, so it is worth checking when making a reservation if a limousine is included. BA, which has flirted with the idea of providing similar facilities, has so far found it impracticable to offer this service in the UK because of the large number of flights it operates.

Limousine services are not available at all international airports because of government restrictions on "inducements" to travellers. Thus business travellers to and from Tokyo's Narita airport are offered by Virgin, for example a "limousine bus service" instead of individual transport.

Those travellers preferring to arrive by car have welcomed new developments at Heathrow airport this year aimed at giving a fairer deal to the business traveller. Mr Barry Gibson, Heathrow's retailing director, explains that "we were using prices as a deterrent in the short-term car park because of congestion, but we failed to understand the different types of passenger. We weren't offering a business product, and that's 50 per cent of the market at Heathrow."

Heathrow now offers over 21,000 car parking spaces at three classes of park – short-term, business and long-term. It is the business park development which offers most for executive travellers: designed for those who usually go away for two to four days and who previously used (at great expense) the short-term car park or were forced to hike to the long-term parks.

The new business parks offer special three-day rates plus a rapid transfer system from car park to terminal. Though there have been reports of teething problems, most executives find the system is a cheap and convenient way of taking their car to the airport.

But others prefer to pay more to use a commercial valet parking operation at the airport. Under these schemes, the car is dropped off at the airport and, on the executive's return, a call is made from the terminal to have the car waiting outside.

Car rental companies are also following this trend towards seamless service on the ground. Avis, for example, has taken advantage of new computer technology to offer its Preferred Service. Under this scheme, frequent renters can arrive at a car rental office, see their name and car bay number in lights, and go immediately to their car, which contains both keys and rental agreement.

Other efforts to ease the path of the executive traveller on the ground are being launched all the time. Last month, for example, the ABC World Airways Guide, published by the Reed Travel Group, launched a special simplified guide for business travellers.

This guide enables executives to steer themselves through the complexities of airline schedules, with full details of airline business classes, terminal plans and other essential information.

But perhaps the area where most still needs to be done to improve the lot of the business air traveller on the ground is at check-in. Changes have been introduced to make life easier for the travelling executive – such as the check-in facilities for Gatwick at London's Victoria rail station – but many of those flying first class or business class from most terminals can still find themselves having to queue. The airline that can get this right for the 1990s will be ahead of the game in wooing the business traveller on the ground.


Trevor Humphries

Gatwick Airport during a French air traffic controllers' dispute

UK INTERNAL FLIGHTS

Demand holds up but prices are keen

DOMESTIC business air travel, often regarded as the Cinderella of the airline world, has survived – if not exactly prospered – during the recession better than might have been expected a year ago. While international air travel has been slower to recover from the impact of war and the world slowdown in economic growth, flights within the UK have held up well.

Figures from the British Airports Authority (BAA), for example, show that flights out of Heathrow to Glasgow last year were only 5.5 per cent down on the previous year. To Edinburgh, the shortfall was even less at 4 per cent.

Mr Colin Rainbow, commercial director of Wagon Lits Business Travel (formerly Pickfords), reports that demand from corporate business travel clients for UK internal flights remains surprisingly buoyant. "It's a market where executives feel that it's more advantageous in some circumstances to fly than drive or go by rail," he says. "Of course, some pretty fierce price competition has helped as well."

Flights out of Heathrow to Glasgow were only 5.5 per cent down on the previous year

Most of the keen prices on domestic air travel, however, are aimed at leisure travellers who have to book in advance and have little flexibility in changing their tickets. Business travellers on UK routes, as in the international market, pay significantly more for the privilege of being able to pick and choose when they actually want – or need to – fly.

But the UK business air travel market is primarily about convenience. Executives not only want frequent services to main cities such as Glasgow, Edinburgh or Dublin, but also connections to smaller regional airports such as Bristol or Norwich.

While the big airlines such as British Airways and British Midland, with their sights set on Europe (or in BA's case the world), have had an ambivalent attitude towards these regional routes, niche airlines have stepped in to meet the demands of a growing internal market for business air travel.

Brymon Airways, for example, is expanding its operations at its Bristol hub and this month is basing a fourth Dash-8 aircraft at Bristol to boost its services on its Bristol-Scotland route by 40 per cent and also to enable the launch of services to Belfast City.

Moreover, Jersey European has introduced a daily Manchester-Jersey service and a Saturday-only Manchester-Guernsey link.

At the same time the two main players – BA and BM – have made it clear that Europe is their target. This was illustrated recently by BM's decision to axe its loss-making Heathrow to Liverpool route and expand its European services using the slots vacated at Heathrow.

These slots – the take-off and landing allocations at Heathrow – are a major source of annoyance for domestic carriers. As the world's busiest international airport, Heathrow has to cater for the many international airlines that want to come into the airport. The move last year to allow more carriers into Heathrow under the government's policy of deregulating civil aviation has put considerably more pressure on domestic services.

Ironically, however, it is these domestic services which act as a "feeder" into the international routes out of Heathrow. Some business travellers are forced to drive or go by train/tube to Heathrow simply because of the non-availability of a connecting service from their local airport.

Thus the decision by Air UK, Britain's third largest scheduled airline, to base its operations at Stansted Airport in Essex. Stansted last year saw a radical improvement in its facilities with a £400m development of a new terminal.

But it has faced a difficult task over the past year, following the fall-off in international air travel after the Gulf War, to persuade business travellers to use its services.

Air UK, however, believes it provides a different option for business travellers from that offered by BA or BM, especially for those based in north or east London, the Midlands and the eastern part of the country, where access to Stansted is more convenient than to Heathrow or Gatwick.

Opportunities clearly exist for more niche airlines to meet the needs of travellers

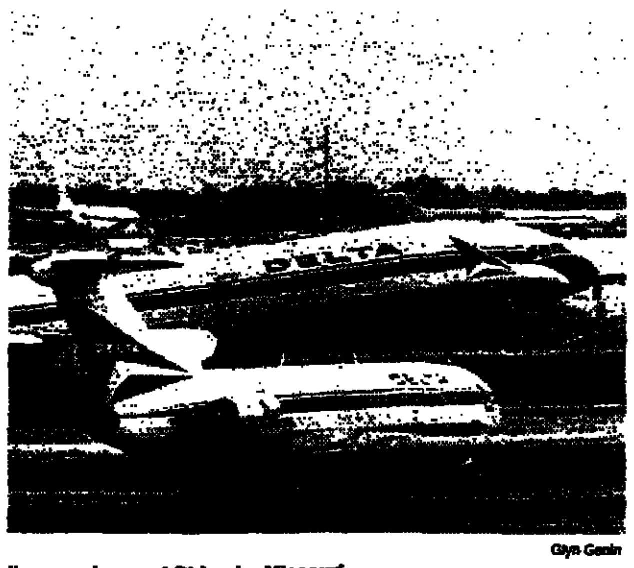
The airline flies more than 1,100 flights a week to 15 destinations within the UK. Not all of these are out of Stansted: for example, it has just added an extra direct early morning flight from Norwich to Aberdeen, providing six flights every day during the week.

While BA's Shuttle services to main UK cities continue to be a profitable and important operation for the airline, it has realised that it cannot afford to devote too many resources to compete as efficiently on small regional routes as well as major international links.

The airline is currently in talks with its staff over streamlining its regional operations out of Birmingham, Manchester, and Glasgow although it stresses that it has no intention of pulling out of these cities.

But the opportunities clearly exist for more niche airlines to meet the needs of business air travellers in the UK.

David Churchill



Glyn Genin

USAir Express aircraft at La Guardia Airport, New York (left) and Delta aeroplanes at St Louis, Missouri

THE US

Some fares may be less

AIR TRAVEL in the US for the business executive has undergone a radical shake-up in recent weeks.

The overhaul started in mid-April, when American Airlines, one of the nation's largest carriers, announced that it was restructuring all its domestic fares. Out went the morass of discount offers, including corporate discounts, leaving the company to promote four basic fare classes. These comprise first class, full coach, seven-day advance purchase, and 21-day advance purchase. (This last class was subsequently changed to 14-day advance purchase, as competitors piled in).

American explained that it would switch to a mileage-based system and claimed that, as a general rule, the new fares would be cheaper than those previously pertaining in these particular classes. For instance, it pledged that first class fares would be 20-50 per cent below previous levels. Full coach fares (now called AAnytime fares) would be 38 per cent lower

In truth, matters were never quite that simple. Mr Bob Crandall, American's chairman, was quick to point out that the carrier's business class fares on the New York-Los Angeles route would not be affected, for example. Nevertheless, the carrier estimated that its new structure would mean that the total number of different fares offered would shrink dramatically, from over 500,000 to nearer 70,000.

American's move has been variously interpreted. Some commentators have suggested that it was a response to the persistent threat posed by smaller competitors. On the one hand, Mr Carl Icahn's bankrupt Trans World Airlines has been undercutting virtually all other carriers in the domestic market, in a desperate effort to win customers. This has cost the airline dearly – it has produced operating losses of $34m and $49m in January and February respectively – but there is no doubt that travellers prepared to take a chance on TWA's continued existence have generally flown via the carrier at extremely cheap rates.

On the other hand, Southwest Airlines – based, like American, in Texas – has been running very attractively-priced services on high-density business routes. (Indeed, in the furore which followed American's move, Southwest probably scored the best publicity coup by saying: "We'd like to match American, but that would mean we'd have to raise our prices."

Mr Crandall, however, had other explanations for his carrier's initiative. He claimed that the move would be justified by the subsequent cost-savings, the medium-term increase in business which should develop, and by travellers' switch to "higher-quality" tickets. For example, a businessman might now buy a cheaper full fare ticket, instead of searching for complex discount fare arrangements (which often involved throwing part of a ticket away, or swinging Saturday night stay-overs).

Some commentators agree with the airline chief's analysis. "American is willing to take diminished yields in the short term to reduce the costs of maintaining a structure with half a million separate fares," commented Avmark, the aviation consultancy. "It is an attempt to break the recession-induced stagnation in air travel growth and put more people in the airline's seats ... It makes economic sense only if your pockets are deep enough to stand those reduced yields for a time."

The immediate response from rivals – for the most part – has been to match American's move. United, Delta, Continental, Northwest and USAir, for example, all pledged immediately to remain "competitive". And they did their best to battle back against American's aggressive advertising campaign: United, for instance, quickly countered American's AAnytime fares, with its own new "Fair Fares". TWA, meanwhile, said it would continue to undercut substantially on certain routes.

At the end of the day, this radical pricing overhaul has probably brought gains and losses for the business traveller. A year ago, when the Gulf War drove away air traffic and bankruptcies were rife in the industry, special discount fares meant that air travel was extremely cheap. That benefited both the general public and many business travellers, except those booking at the last minute.

With the level of discounts diminishing somewhat since then, the current initiative means that business executives can now take a straightforward, unrestricted coach fare more cheaply.

That is the upside. The downside are the decisions by American – and some others – to phase out corporate discounts and introduce a $25 fee for each reticketing requirement. And for those business travellers who are able to book ahead, the array of discount fares has certainly subsided – even if the continued presence of financially-troubled carriers in the industry means that they have not disappeared altogether.

Nikki Tait
New York

WIDE-BODIED JETS

Bigger means better – and it saves money

LIKE HEAVYWEIGHT boxers, the biggest aircraft combine glamour and popularity. They embody mass marketing of cheap air travel and yet are the flagships for the world's airlines.

Even during the world economic slowdown of the last 18 months, manufacturers have been pouring cash into the development of new wide-bodied aircraft. The reason is that bigger aircraft mean cheaper travel. With cheaper travel, there can be more passengers and in turn more aircraft sales.

How are wide-bodied aircraft different from other aircraft? "Luxury," according to Mr Paul Griffiths, commercial director of Virgin Atlantic. On a wide-bodied aircraft there is room for bars, lounges and the sheer space that business passengers demand on long-haul journeys.

Mr Rod Muddle, head of planning at British Airways, has a different point to make. "Our overriding motive is to provide growth at competitive unit costs," he says. "This is only achievable with wide-bodied jets."

Big aircraft save airlines money in several ways. At many overcrowded airports including London's Heathrow, Tokyo's Narita and New York's JFK, landing rights are rationed. Each airline has a specific number of landing and take-off slots available to it. Airlines jealously guard their landing rights knowing they will probably not be given any more. It is possible nevertheless for airlines to plan for growth by using bigger aircraft.

Large aircraft use less fuel per passenger than small aircraft. Fuel accounts for more than 10 per cent of total costs at many airlines. So airlines' order books stretch into the second half of the decade. With manufacturers spending so much on development, big aircraft are made with the latest materials, economical engines and computerised controls. It is a combination that still further improves fuel economy.

This vast market is the battleground for just three manufacturers.

● Boeing of the US is the biggest by far. The 747 has dominated sales for so long that it is hard to imagine it being replaced. Boeing's next new product is the 777. It will slip in below the 747 in the product range and is due to enter service in 1995. The initial model will accommodate 328 passengers, compared with the 419 on board the largest 747s, and has a shorter range too. "The interior is similar in dimensions with the 747, it's just a smaller aircraft," says BA's Mr Muddle. He says that the 777 will on some routes replace the 767, a smaller wide-bodied aircraft.

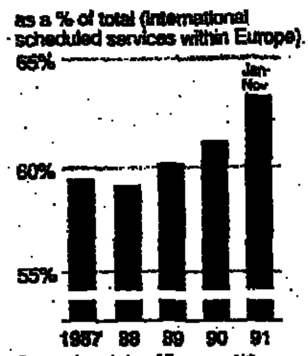
● Airbus, owned by a consortium of European companies, is in No 2 position. It is due to deliver the first of its new A340 aircraft to Lufthansa early next year. It is Airbus' first four-engined aircraft and represents a new market for the company. The A340's selling point is its range, at 7,550 miles, greater than any other commercial aircraft. It carries 262 passengers.

● US-based McDonnell-Douglas is close behind Airbus. Many of its hopes are pinned on its latest product, the MD-11, recognisable by the turned-up wing tips. Sales began last year.

The MD-11 faces a tough battle against head-on competition from the Airbus A-340 and the Boeing 777. "We believe the MD-11 will be the loser," says Mr George Shapiro, aerospace analyst at Salomon Brothers in New York. He blames the older technology which gives that aircraft a shorter range than the Airbus A340 and a smaller passenger carrying capacity than the Boeing 777.

Discounted tickets

as a % of total (international scheduled services within Europe).



Source: Association of European Airlines

Mr Shapiro is also concerned that sales might be difficult given the political controversy surrounding McDonnell-Douglas' plans to sell a 40 per cent stake in its commercial aircraft operations to Taiwanese companies.

The aircraft maker nevertheless last month announced that it intended to develop with the Taiwanese a radical new design to be called the MD-12. This would be a megajumbo jet designed to challenge the successors to Boeing's 747. It would be a double-decked aircraft carrying more than 500 passengers and flying more than 8,000 miles non-stop. Target launch date is 1997.

Double-deckers have been the subject of much industry talk in recent weeks. The ideas are exciting, but the operators of airports are worried they will not be able to cope

Such double-deckers have been the subject of much industry talk in recent weeks. At the biannual Asian air show in Singapore in February, British Airways revealed plans for a series of fuselage configurations that would carry up to 800 passengers on a single aircraft. A string of potential designs was floated including figure-of-eight shaped fuselages, both horizontal and vertical.

The ideas are exciting, but the operators of airports are worried they will not be able to cope. "Wingspan is the biggest issue," says Mr Richard Everett, director, legal services, of BAA, which operates most of the UK's large airports. The Boeing 747 has a wingspan of 65 metres but BAA is drawing up contingency plans to accommodate 85 metre wingspan aircraft.

Mr Everett warns that much of the talk of ultra-high capacity aircraft might come to nothing. "There is a strong feeling in the industry that a bigger 747 is more likely to arise," he says. He forecasts that the upper deck of the Boeing 747 will be extended along the length of the fuselage. Already the 747-300 and 400 have an upper deck more than seven metres longer than on previous 747s.

Dealing with bigger wings is one of several problems. It is already a tedious process to put 400 passengers on an aircraft. If numbers were doubled, BAA says it would move to two-door boarding, entailing a redesign of terminals. BAA has no plans to do this "until the larger aircraft are already on their way".

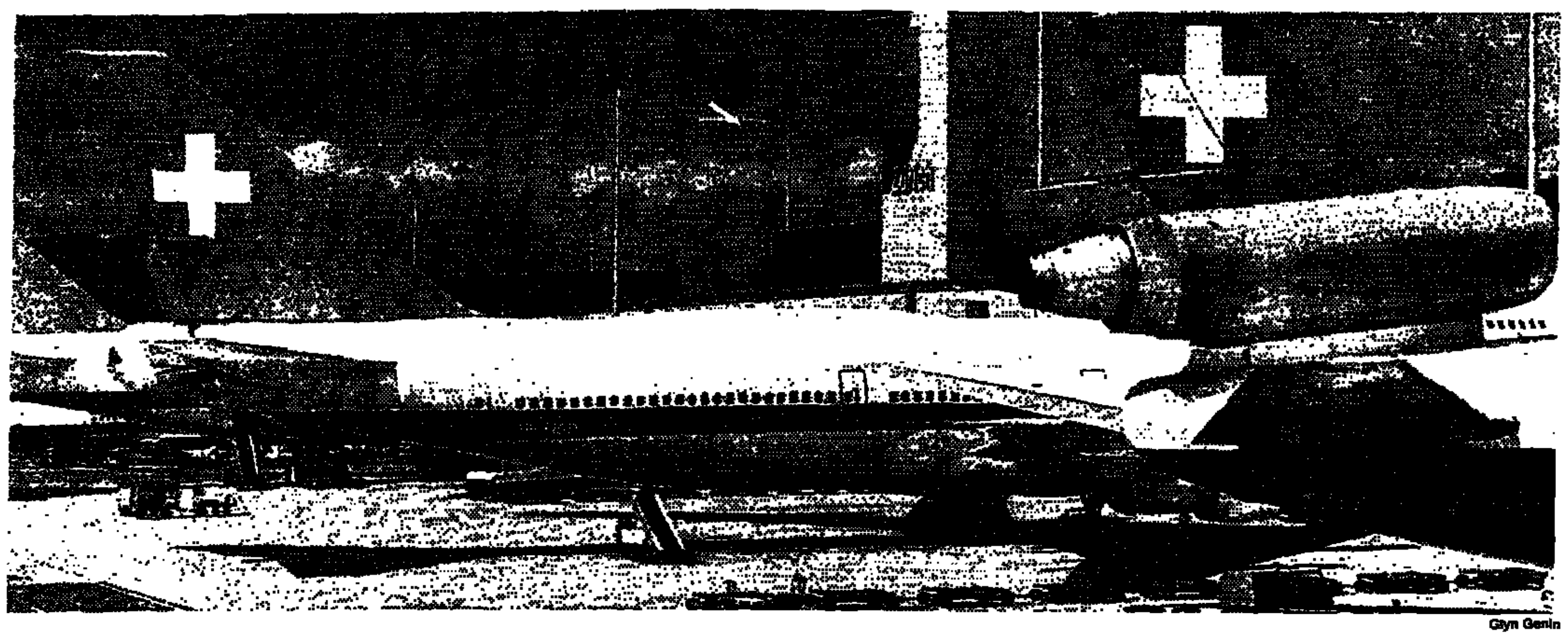
Megajumbos will happen, insists BA. "It is a total rethink," says Mr Muddle. The 747 was designed 30 years ago and there are new customers now with different requirements. The strongest source of demand comes from the Pacific rim, he says.

As if to echo this sentiment, McDonell-Douglas is already talking of the non-stop flights that will be possible with the MD-12: Dallas to Seoul, Zurich to Singapore and others.

Mr Muddle has detailed a 10-strong team at BA to list what parameters a turn-of-the-century world champion megajumbo should follow. Their blueprints could presage the next age of air travel in which passengers paid less for seats and yet were able to fly non-stop between just about any two cities on the globe.

Daniel Green

BUSINESS AIR TRAVEL 6



Glyn Genin

Swissair widebody jets at Zurich's Kloten airport

LIBERALISATION IN EUROPE

Giants, niche players and others

ON JANUARY 1 1993, the European Community moves another step towards deregulating the skies over its 350m citizens. Although the details will not be finalised until mid-summer, in theory, airlines from one country will be able to sell tickets for flights between two other countries and perhaps even within other countries.

Airlines with captive home markets such as Lufthansa in Germany and Air France face the prospect of competing on the Paris-Berlin route with the likes of British Airways or KLM.

The result of such competition should be cheaper fares. When the US deregulated its skies in 1976, rival airlines threw themselves into a sometimes deadly war. Low fares eventually brought low some of the great names of US aviation history.

PanAm, Braniff, Eastern and People Express *disappeared*. TWA, Continental and others are in deep trouble, protected *from their creditors* by Chapter 11 bankruptcy rules.

In spite of such failures, supporters of deregulation point to busy routes such as Los Angeles-San Francisco where fares are low and still profitable much of the time. Successful airlines argue that the years of competition have simply eliminated the inefficient.

However, many in the industry believe that Europe is not like the US. They say deregulation will lose its airlines a lot of money and that fares will not fall far. The Association of European Airlines, which represents 22 national carriers, says that this is because the cost structure is different in Europe.

- Air traffic control charges are higher to reflect the crowded skies and complexities of international travel.
- Landing charges are higher, reflecting demand for use of the most important airports. American Airlines briefly flew transatlantic flights on from *Brussels to Zurich*. "It was expensive. We were paying double the landing costs on a *short-haul flight" says the* airline.
- Salaries, which account for one third of costs, are higher. This has been damaging already in some countries. Swissair, for example, is moving its accounts department to Bombay, India, this autumn to cut costs.

Such obstacles have not dissuaded US airlines from piling into Europe ahead of 1993. American now flies from a dozen European cities while Delta has a hub at Frankfurt with feeder flights coming in from many European cities.

European airlines are struggling to anticipate the changes. *They* have tried to organise mergers or alliances with varying success. Most spectacularly, *British Airways* failed to merge with KLM of Holland earlier this year after months of negotiation.

In contrast, Air France finally succeeded this month in *taking a stake in Sabena*, the Belgian carrier. The deal had been delayed for many months *and followed an aborted* attempt to forge an alliance between Sabena, BA and KLM.

The logic is that a deregulated Europe will, like the US, allow only two types of airline to prosper: the giant, whose economies of scale give it greater financial strength, and the niche player, which concentrates on taking a slice of revenue from busy routes.

Europe is full of airlines that *do not fit into either category*. One, Scandinavian Airline System (SAS), has been among the most energetic in trying to find partners. It is in the European Quality Alliance (EQA) – which allows for the co-ordination of timetables and sharing of some airport facilities – with Swissair and Austrian Airlines.

Last month it boosted its stake in Airlines of Britain, the parent company of *British* Midland, from 24.9 per cent to 40 per cent. In February, it agreed to buy 51 per cent control of Linjeflyg, the Swedish domestic carrier.

The acquisition is designed to consolidate the airline's position in its home market in *anticipation of Swedish airline* deregulation.

"By combining SAS with *British Midland* and EQA, we will have an annual passenger volume of 35.2m passengers," says Mr Jan Carlzon, the chief executive of SAS. This, he says, makes his partnership the largest in Europe, ahead of Air France with 33.4m passengers a year.

Few deny that such alliances will improve the chances that airlines become more efficient. And if European deregulation follows the US example, then there will be heavy competition among efficient airlines on busy routes between financial and industrial centres. Business travellers will be among the first to benefit.

But with Europe's high cost base, airlines' flexibility to cut *fares is limited. Such cuts that* are likely could be slow in coming as some European governments *resist* rapid liberalisation.

Before the end of the century – *possibly in less than a year* – business travellers will have a greater choice of airlines on *which to fly. But those looking* forward to sharp falls in fares will probably be disappointed.

Daniel Green

ASIA-PACIFIC

Market where the sky is the limit

THE Asia-Pacific air travel market offers the world's most promising growth prospects for the 1990s, with passenger demand forecast to increase at nearly double-digit rates annually into the next century.

As industry deregulation edges along, a fierce dogfight is already shaping up, particularly for lucrative first and business class travellers. Not surprisingly, regional carriers are focusing the same high-quality, low-overhead strategies on air travel that have made Asia-Pacific competitors *so formidable in many other* industries.

"This region has the best *growth potential in the world* based on its economic prospects," says Mr Philip Mok, head of research at Barclays de Zoete Wedd Securities in Hong Kong. Demand for air travel will increase about 8 per cent annually over the next few years, he predicts.

South-east Asian carriers are particularly well positioned to expand rapidly, backed by surging economies and reputations for some of the world's best inflight service. Among the leaders are Hong Kong's Cathay Pacific, Thai Airways International and Singapore Airlines (SIA) – already one of the island state's leading enterprises.

Flag carriers from other industrialising nations, including Malaysia Airlines and Garuda Indonesia, are also keen to capitalise on growing business and tourist travel.

To the north, Korean Air has carved out an impressive niche, flying between the homeland, North America and *neighbouring Japan*.

Industry observers see the region's economic superpower *as the fulcrum for Asia-Pacific* business air travel, because of the size and growth potential *of Japan's market and its geo*graphical suitability to act as a hub for onward travel from *south-east Asia to Europe and* North America.

Unfortunately, Japanese *business travellers have been* slow to return since the Gulf War knocked them from the *skies*, partly because of the current economic slowdown at home.

"We've noticed quite a few Japanese companies since the Gulf War have suffered financially and downgraded executives formerly entitled to a higher class of travel," says Mr Shiro Shibuya, SIA's manager of industry affairs and public relations in Tokyo. "Still, we hope business on Japanese routes will grow faster than elsewhere."

The near-term prospects are not bright, says Mr Takeharu Iwata, vice-president of Japan Airlines (JAL), the world's seventh largest carrier in 1990.

"We cannot expect a big improvement to 1989 levels for at least another year or year and a half," he says.

Far from threatening to dominate Asia-Pacific skies, as they have many other regional markets, Japanese rivals will do well just to hang onto their already dwindling market share, industry observers say.

"The way the Japanese achieved their position in many industries was to get in with low prices, aim for market share and slowly build up. But airlines operate on bilateral agreements, *so you can't* get market share without offering the other party *monetary rewards or a similar* share," says Mr Mok.

"There is very little room left" to win away customers with service superior to that of foreign rivals, concedes JAL's Mr Iwata.

Incursions into their home airspace by low-overhead carriers are already costing Japanese airlines dearly. Foreign airlines increased their share of international passenger traffic to and from Japan by 1.9 percentage points to 65.1 per cent in the two years through 1990 alone as the annual number of travellers on these routes topped 30m.

Japanese airlines must vie with expenses roughly double those for south-east Asian rivals, says JAL's Mr Iwata. "The Ministry of Transportation must to some extent protect Japanese carriers, but it is also forcing us to compete following the tendency of the US," he says. "We do not have a pricing or merchandising advantage, but I think we can *maintain* the business travel share we now have by introducing new aspects of services *and flight schedules*."

In early April, JAL launched a major advertising campaign *to woo back Japanese business* travellers with menu and other changes, but rapidly *internationalising domestic* rival All Nippon Airlines and especially foreign carriers are *likely to continue gaining on* the flag carrier.

"Business travel is the cream of airline operations. Our philosophy is to satisfy passengers to gain repeat business, not just offer cheap fares," says SIA's Mr Shibuya. "We don't mind using expensive champagne and other things if that's what it takes."

Such strategies combined with lower overhead ultimately could force Japanese airlines to hand over intra-Asian routes to subsidiaries which can take advantage of less costly foreign labour.

Meanwhile, Asia-Pacific airlines are setting their sights on newly emerging routes within the region plus destinations much further afield.

Close to home, the last several months have witnessed a rush of new services between second-tier Japanese cities such as Fukuoka and Hiroshima and international *destinations*, in part because no new slots are available at Tokyo and Osaka area terminals.

Routes to Indochina also are increasing in number as political conditions improve and a rapidly rising flood of investors and tourists makes its way to *Vietnam, Laos* and Cambodia. Demand for service to the Chinese mainland likewise *is quickly expanding*.

South-east Asian airlines should fare well in competition to and from Europe and North America, argues Mr Mok. "They have strong cash flows and money to buy new aircraft. Most are also efficiently run. I tend to be bullish on airlines in the region," he says.

The major bottleneck at present and future key to Asia-Pacific travel is Japan's acute shortage of airport capacity, which is already forcing airlines to shelve expansion plans.

The New Kansai International Airport off the coast of Osaka will be the nation's first 24-hour facility when it opens in mid-1994, about 15 months behind schedule. A survey earlier this year reflected just how far available terminal space lags demand in reporting that carriers now seek twice the facilities planned in Osaka to accommodate 160,000 arrivals and departures annually.

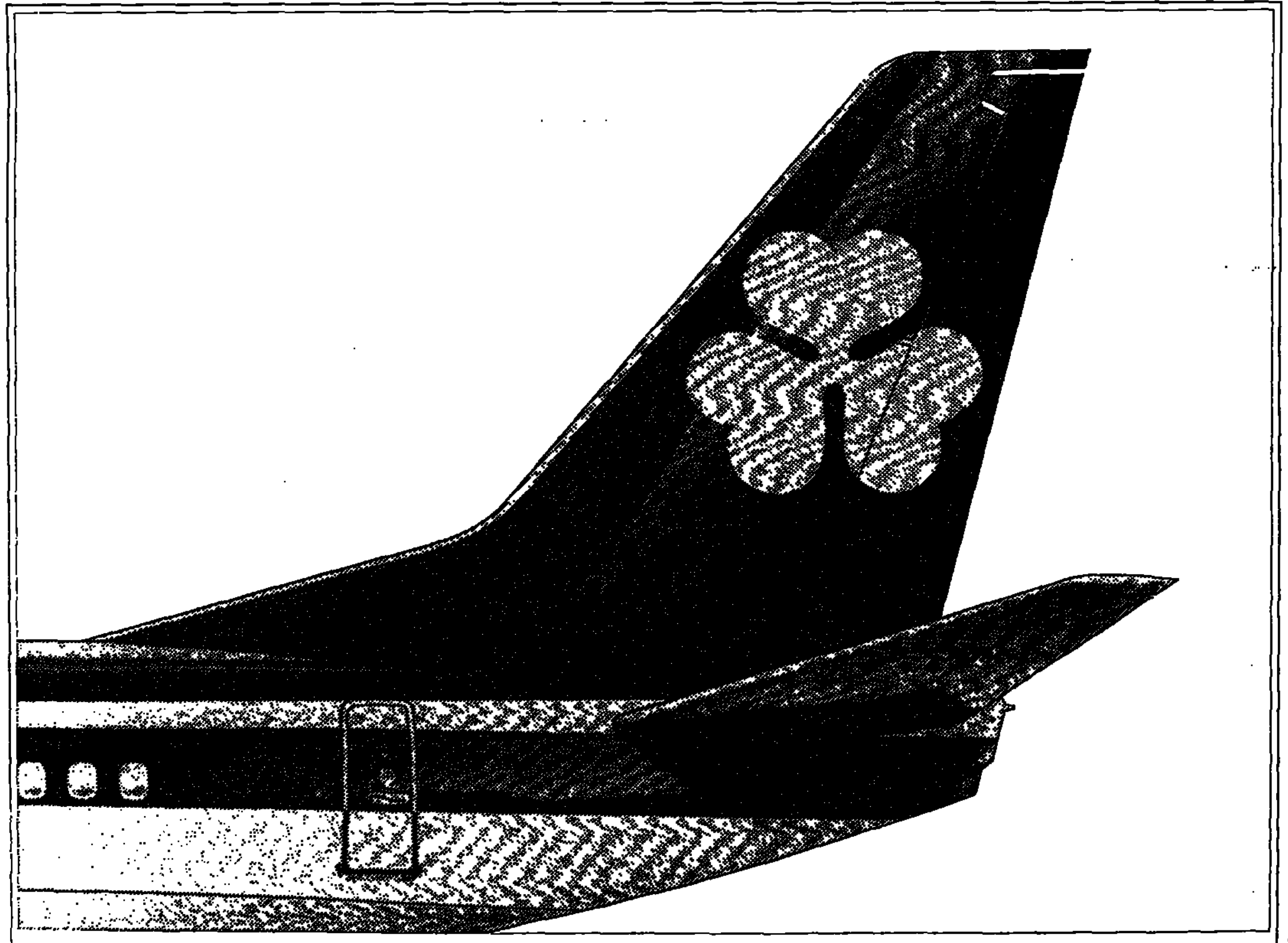
Along with major expansion projects at the Narita and Haneda terminals serving Tokyo, Japanese air traffic capacity should roughly double by 1995. The expanded capacity will add severe price competition to the already troubled Japanese carriers' list of woes, enabling new rivals to enter the market and established foreign airlines to increase service.

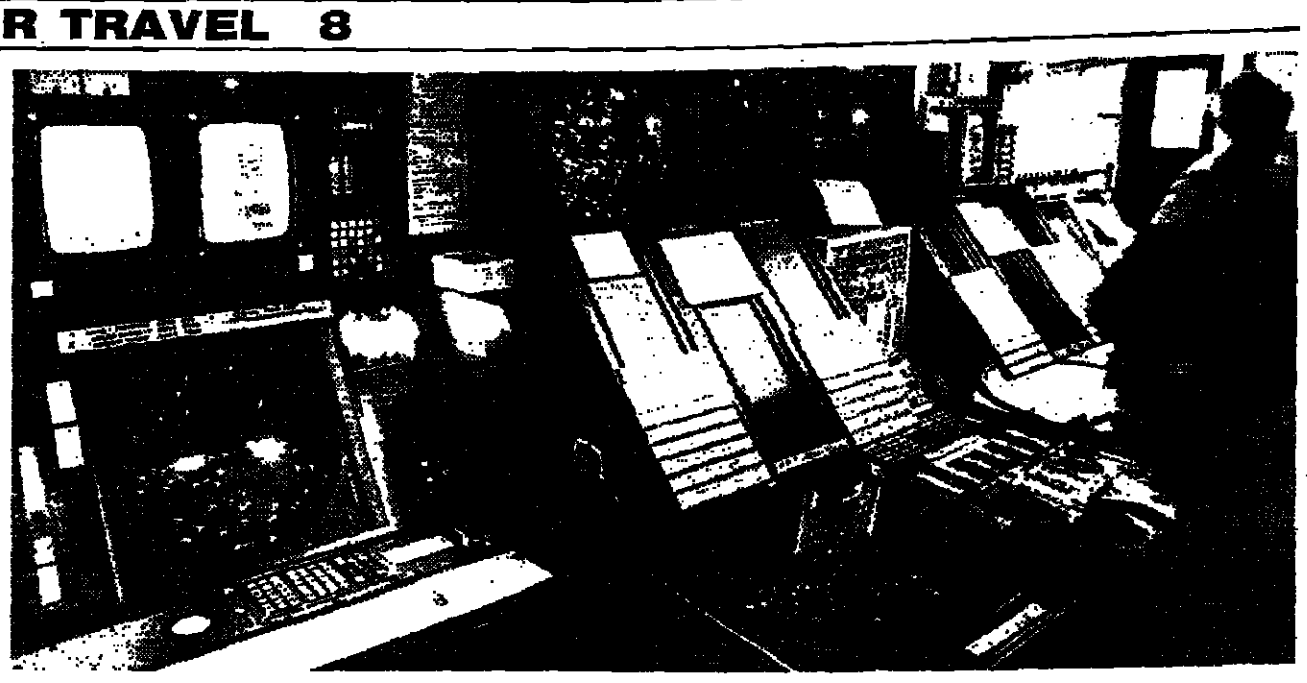
US carriers have already carved out large markets to Japan and beyond with the help of giant feeder systems back home and *politically* sensitive international agreements that provide them abundant terminal access.

However, even with Japan's new terminals in service, *capacity shortages* will dampen traffic growth for years.

That could be good news for airport projects elsewhere in the region, including South Korea, *Hong Kong*, Taiwan and Singapore, which are seeking some of the hub-terminal *activity* that has benefited many North American cities.

Neil Weinberg
Tokyo



The civil operations room at the air traffic control centre in West Drayton, Middlesex, with the supervisor's desk in the foreground and (right) a close-up of the screens

AIR TRAFFIC CONTROL

Those bottlenecks seem likely to continue

THE BUSINESS traveller hardly needs reminding about the inadequacies of the European Air Traffic Control (ATC) system – the delays are all too real and there is little prospect of real improvement in the next two to three years.

Last year in Europe more than 20,000 flights a month in the summer and 10,000 a month in the winter were delayed because of ATC problems. The proportion of flights more than 15 minutes late almost doubled between 1987 and 1991.

The Association of European Airlines, representing 22 European carriers, says almost 20 per cent of flights were delayed by more than 15 minutes last year, only slightly better than in 1990 even though 1991 saw a 7 per cent decline in air travel caused by the Gulf War. Last year, 54,000 aircraft hours were lost because of congestion, equivalent to the annual workload of a fleet of 20 short-haul jets.

A comparison of times on short-haul routes within Europe shows that flights are now scheduled to take between 5 and 10 per cent longer today than they did 20 years ago, despite improvements in technology. For example, in 1972 a British Airways flight between London Heathrow to Paris Orly took one hour. Today the same flight is scheduled to take five minutes longer – to allow for delays.

Unprecedented air traffic growth in the 1980s, coupled with a shortage of air traffic controllers and ageing equipment, has resulted in congestion on the ground and in the skies, and pushed Europe's fragmented ATC system to breaking point, particularly during peak summer periods.

With air traffic still growing at about 8 per cent a year, the volume doubles every 10 years. As a result, airlines and civil aviation authorities have warned that Europe faces an air travel crisis in the next few years unless urgent action is taken to harmonise and integrate European ATC systems. According to Mr Karel Van Miert, EC transport commissioner, air traffic delays in Europe already cost £3.8bn a year and airlines have warned that these threaten to undermine Brussels's efforts to liberalise European air transport.

The problems were highlighted in a report considered by transport ministers from the 28 member countries of the European Civil Aviation Conference (ECAC) who gathered in London in March. The report said the work needed to harmonise and improve air traffic control in Europe in the 1990s "will be much greater" and more costly than first estimated.

The study, undertaken by Eurocontrol, the Brussels-based government-backed air safety group, examined the ATC systems of the 23 nations which were members of the conference in April 1990 when the European Air Traffic Control Harmonisation and Integration Programme (Eatchip) action plan was agreed (since then five eastern European nations have joined ECAC.) In Europe some 50 ATC centres spread over an area of 3m square miles – roughly comparable in size with the US which operates a single ATC system from 20 centres – handled 4.8m flights in 1990, of which 90 per cent were internal European traffic.

In contrast to the US, the European ATC centres "share one big (technical) deficiency, namely their generalised incompatibility," said the report. Eurocontrol discovered 31 different systems in the European ATC centres, using computers from 16 manufacturers, with 22 different operating systems and 33 different programming languages.

The result, said the report is "a patchwork of systems, most of which have been developed independently, using different designs and methodologies leading to further incompatibilities." In addition, of the centres evaluated, Eurocontrol said half had "significant deficiencies" and almost one in four had "major deficiencies", while only 17 per cent had no problems.

Until fairly recently, attempts to get to grips with Europe's ATC problems had been stalled because of political and other disagreements. As Air Vice Marshal Mike Gibson, director-general of policy and plans at the National Air Traffic Services of the UK's Civil Aviation Authority, says, it has been difficult because "there wasn't one particular organisation with the right membership and the right expertise".

The European Commission, backed by Germany in particular, had argued for the building of a single new integrated system. However this approach was resisted by others, including the UK, which argued that it was too expensive, bureaucratic and unworkable, raising a number of difficult sovereignty issues.

But recently most attention has focused on the ECAC and on the initiative to upgrade the existing ATC systems in Europe and get them to work together. "What we are trying to do is to get the worst in Europe up to the standard of the best and then to get all of the systems in Europe working together so that, from a user's point of view, there is a seamless system," explains Mr Gibson.

The basis of the plan therefore is a "programme of convergence," overseen by Eurocontrol, to harmonise procedures across Europe and improve and upgrade the existing ATC systems with equipment complying to common standards which can then be integrated. The plan embodies a step-by-step approach to integration, setting a series of operational targets such as those for radar coverage and communications. The strategy aims progressively to integrate ATC systems after they are harmonised in the busiest "core area" – roughly bounded by London, Frankfurt and Paris – by 1995 at the latest and elsewhere by 1998.

In March the ECAC transport ministers agreed to extend the plan to harmonise and integrate the operations of ATC systems to the five new Eastern European Conference members, Bulgaria, Czechoslovakia, Hungary, Poland and Romania. Since the capacity of the air traffic system depends not only on the en-route air traffic control system but also the operational airport infrastructure, ECAC transport ministers also acknowledged the importance of relieving congestion in and around airports by launching a new airport strategy.

Overall, members of the ECAC plan to spend more than Ecu 3bn on air traffic equipment over the next four years. The UK itself plans £750m of expenditure on the air traffic system by the end of the century, including the building of a new air traffic control centre on the south coast, due to be operational by 1996.

At the same time, some progress towards integration of ATC systems has been made in parts of Europe and Eurocontrol has begun the task of creating a single central flow management unit in 1994 co-ordinating airline flight planning throughout Europe and replacing the current five flow management units.

In the longer term the ECAC strategy has been designed to accommodate the introduction of new advanced technology systems such as air/ground data links and satellite tracking and navigation systems including the International Civil Aviation Organisation plans for Future Air Navigation Systems (Fans).

Satellites, in conjunction with VHF radio, precision landing systems and aircraft transponders which report altitude and other data are likely to revolutionise air traffic control worldwide. For example, developing countries could use satellites instead of expensive ground-based radar systems to build an ATC system at a relatively small cost.

The US, which boasts the world's most sophisticated ATC system, will nevertheless also probably begin replacing some of its ground-based navigation systems over the next decade. Spurred by mid-air collisions and increasingly frequent near-misses, the US authorities are already forcing airlines to install traffic-alert and collision-avoidance systems (TCAS) by 1994.

After serious concern was voiced about emerging signs of infrastructure deficiencies in the mid 1980s, the US moved quickly to upgrade its ATC system. The number of air traffic controllers was increased, the Federal Aviation Authority was given a bigger budget, and the introduction of a $2.5bn nationwide air ATC system was accelerated together with a $16bn programme to cope with aircraft movements projected for the next decade.

Even so, there are forecasts that air traffic bottlenecks will continue through the 1990s and that many US airports will shortly reach runway and terminal saturation point. As in south-east Asia, there are substantial plans for new airports and airport expansions – plans that will be closely monitored in Europe.

Paul Taylor

Airborne services are expanding, reports **Tim Burt**

The office in the sky

FOR MANY business travellers the cabin of a long-haul aircraft is a haven from the clattering machinery and constant telephone calls of their offices. There is fine wine and fine cuisine to enjoy; and on most flights there are six hours or so of comfortable travel 30,000ft above the daily grind.

But all this is about to change. Aware that flying time is working time for executives, the world's leading airlines are putting office equipment in the sky.

Travellers who in the past had only to concern themselves about whether the steak would be rare or the Pouilly-Fuisse chilled, now worry about making long-distance calls and sending faxes from up in the stratosphere.

What, for some, was the ultimate bus to work has now become an extension of the office. New technology has enabled carriers to offer faxes and – at one's seat – on-screen share price information and mobile phones for direct-dialling to any number on the globe.

Leading the pack among office-minded airlines is probably MGM Grand Air, a subsidiary of the entertainment group. The US carrier's fleet of refurbished DC-8 aircraft boasts a computer and telephone at each leather-bound seat. An all-executive configuration has created space for conference rooms, sleeping quarters and even marble bathrooms.

MGM Grand Air, however, is not regarded as serious competition by larger rivals such as American Airlines and United. It is essentially a one-route operation: Los Angeles to New York, although it has applied to fly to London.

Among the so-called mega-carriers, Japan Air Lines is one of the leading innovators in changing the image of business class travel from "room to be bored" to boardroom.

In addition to its traditional in-flight mail-service and more recent introduction of personal video screens, JAL has been the first airline to experiment with satellite communications to offer telephone and fax services. Later this year the carrier will be one of the first to introduce CD players on flights.

Emirates Television in-flight video system is fitted into arm rests

A Japan Air Lines attendant uses an Inmarsat satellite phone

But as in other areas of technology, where Japan leads, the US soon follows. American companies such as GTE Airfone and Hughes Avicom are developing new systems to beam business information into aircraft cabins.

GTE Airfone, which has just won an order to install equipment on 78 aircraft operated by Continental Airlines, has launched Genstar. This is a new information service using digital technology to broadcast stock market news via ground stations and satellites to business travellers.

It can also transmit faxes, computer data and other information. GTE claims it will even allow travellers to contact people on other flights.

If the idea of a mid-flight call from your boss puts you off your canapés, then you might opt for an airline using the alternative Hughes Avicom system. The California-based avionics company has developed technology feeding information to mini-computers mounted in seat armrests.

Hughes' computers work on a touch-screen basis to offer live television events and continually updated share prices.

American Airlines has Hughes Avicom technology on 60 aircraft, as has Emirates, the UAE carrier which is spending $1.4m on personal videos in each aircraft.

Emirates expects to install telephones next year and Mr Mike Simon, the airlines external relations general manager, says faxes will follow soon after.

All this gadgetry, from faxes to phone calls, does not come cheap. MGM's luxuriously appointed fleet cost $55.5m or $162,500 for each seat equipped with the desktop basics: telephone and computer.

There is no cheap rate period for air to ground telephone calls. JAL's system, which relays calls to Kokusai Denshin Denwas – the equivalent of BT – via the Inmarsat pacific satellite, costs about £6 a minute.

Travellers pay for their calls with credit cards inserted in a groove in the telephone handset. Once payment is cleared, the Japanese operator on the ground connects the airborne caller to the normal international telephone network.

Northwest Airlines, meanwhile, is spending $70m on Hughes-Avicom equipment for their first and business class cabins as part of a $450m upgrade.

The system, called Worldlink, is to be installed in the back of each economy seat and in the armrests of forward section seats. Mr Richard Bertagna, president of Hughes-Avicom, says: "We hope to provide Northwest with on-board telephones, aircraft satellite antennas and direct satellite links."

Few European carriers are matching the schemes planned by their US and Japanese rivals. Moves to install passenger telephones have been hampered because there are no pan-European air-to-ground links or Terrestrial Telecom Systems, as they are known in the US. The high cost of satellite communications, meanwhile, has dissuaded carriers such as British Airways from adopting JAL's system.

BA is experimenting with new technology but a decision on large-scale investment will not be taken until a system exists which can be used throughout its route network. Mr Ken Codrington, the airline's project manager on cabin avionics, says BA is working closely with telecom companies to develop an airborne public telephone system.

The proposed European system will offer voice links initially and data services at a later date. BA is, however, installing new video screens in its business and first-class cabins which can be upgraded to use interactive technology.

Business travellers can, therefore, expect an increasing array of office equipment at their fingertips before the end of the century. From take-off to landing, executives will no longer be out of touch and flying-time could soon become part of the ordinary working day.

"It's the next generation of in-flight service," says Mr Simon at Emirates. "Airlines will do whatever is necessary to keep businessmen in contact with their office."

CORPORATE AND EXECUTIVE AIRCRAFT

Bush pledge on fiscal relief is welcomed by jet industry

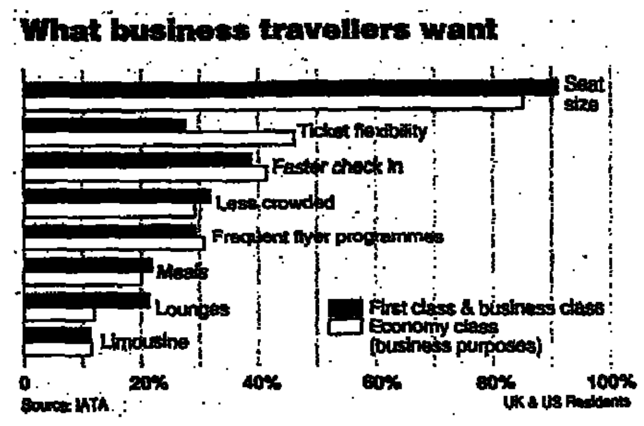
IT IS, perhaps, self-evident that a corporate jet market does not flourish in recessionary times. Throw in a few complicating factors – such as tax disincentives or a forbidding product liability climate in the US – and life for general aviation manufacturers becomes tough, indeed.

That is roughly what has occurred over the past few years. According to the Washington-based General Aviation Manufacturers' Association – which represents 32 US manufacturers of general aviation aircraft, engines and related equipment – the industry shipped a total of 1,021 aircraft in 1991. That was the lowest annual number since World War Two, and it took new aircraft revenues below the $2bn mark – to $1.97bn.

Within this depressing overall picture, the turbojet segment was actually the most heartening. A total of 186 turbojet aircraft was shipped last year – a 10.7 per cent increase on 1990's 168 – while the number of turboprops fell by 21 per cent and piston-powered aircraft were down by 11.8 per cent. But all things are relative; in the peak year, 1981, 389 jets were delivered by US manufacturers.

There is a clear reason for this fall-off in deliveries. Jets often represent discretionary expenditure. When corporate belts are being tightened, such outlays – which, in the case of a corporate jet can range between $2.5m and $25m – are among the first to be pruned. Questions of image may also be involved. In the words of one analyst recently: "When you're laying off hundreds of workers, buying a corporate jet does not look good."

In the US, the luxury tax on the sales of new general aviation aircraft, which was imposed by Congress in 1990, has also been blamed for putting an additional dampener on demand. The tax has been levied on that portion of a new aircraft's price that exceeds $250,000, but is waived if the aircraft is flown 80 per cent or more for business purposes. General aviation manufacturers have complained of lost sales as a direct result – for jets, turboprops and piston-powered aircraft. For example, Beech, owned by Raytheon, has been quoted as saying that the tax had stymied over 50 aircraft sales by the end of 1991.



It was, therefore, with some relief that the industry heard President Bush's "State of the Union" address earlier this year, in which he promised some fiscal relief. Just for good measure, there was also a call for tort reform which has devastated light aircraft production. The GAMA termed it "a positive step in the right direction, although it still demanded that a more powerful "growth package" be enacted.

Given these problems, it is perhaps surprising that jet business has held up as well as it has. Most manufacturers gratefully acknowledge that demand from "foreign" countries – such as the Middle East, Latin America and selective European nations – has been the mainstay.

Cessna, for example, which has now pulled out of the piston aircraft market and relies entirely on the jet and turboprop markets – reckons that non-US sales for its Citation jets are currently running at over 50 per cent of the total. This compares with around 14 per cent in 1984. Another US jet manufacturer lists Mexico and Venezuela as leading markets in Latin America, while Italy and Germany are still reckoned to be strong European customers. Dassault Aviation, the French manufacturer, has also stated that foreign sales are critical to growth and market share.

Certainly, there has been a fair amount of activity in terms of new products and design work. The smaller, lower-priced jet market is one example. Here, some forecasts have suggested that up to 2,000 jets could be sold over the next 15 years, as the "small" jets compete on price with turboprops, and attempt to eat into the latter market.

Cessna's six-seat Citation jet, which started out with a $2.5m price tag but which has crept up since, is scheduled to be delivered late this year. Industry observers expect a fierce marketing battle with its Wichita neighbour, Beech Aircraft, which – besides making the larger and more expensive Beechjet – produces turboprops in the Citation jet price range.

"The continued development of new business jets bodes well for the future," noted Mr Edward Stimpson, GAMA's president, recently. "US manufacturers have continued to invest heavily in R&D in the midst of a prolonged recession. Several new jets have been announced and others are nearing certification."

The industry has, of course, seen a sprinkling of ownership changes. Cessna was sold to Textron, the aerospace and financial services conglomerate, for $600m earlier this year. Raytheon and Dassault are believed to have been among the handful of final bidders. And now British Aerospace, the UK group, plans to divest its corporate jet subsidiary.

Nikki Tait
New York

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A fleet of United Airlines Boeings at Heathrow's Terminal Three. United flies from London to six US airports, and there are onward connections to more than 200 US cities Picture by Glyn Genin

Paul Taylor on prospects for supersonic travel

Concorde: a hard act to follow

THIRTY YEARS ago the British and French governments finally gave the go-ahead for the world's first supersonic airliner, the Concorde project. But it was January 1976 before Concorde's first commercial flight and another 10 years shuttling backwards and forwards over the Atlantic before British Airways was able to report that the aircraft was making a healthy profit.

Despite all the initial optimism of the 1960s, when the project's cost was put at £80m and Britain and France were hoping to sell more than 400 aircraft, only 16 were actually *built and the overall cost eventually* reached £2bn.

Nevertheless, Concorde came into its own in the 1980s economic boom as captains of industry and finance, pop stars and sport personalities climbed aboard the 100-seater aircraft to cross the Atlantic in style and on time rather than worry about the cost.

For them the premium New York return fare of £5,000 is justified by the savings in travelling time offered by Concorde. With mid-morning departures from London and Paris the busy senior executive has time to sort out his desk before departure and still be in New York's JFK airport at 9.30am the same day (or 9am on the Air France flight) after a flight of just 3½ hours.

Inevitably, the recession and the cost-cutting plans of the 1990s have forced some compa*nies to reconsider the expense* of flying senior executives by Concorde. But Concorde still attracts its regular fliers, of whom some travel every week, and those individuals who are willing to pay the supersonic premium to arrive fresh.

*In addition, Concorde contin*ues to attract a busy charter business. Mr W. D. (Jack) Lowe, BA's director of flight crew for Concorde says the airline remains "very happy with our Concorde operation; it has a beautiful niche."

In spite of Concorde's age, Mr Lowe says BA "has every intention of keeping it flying well into the next century". Nevertheless, he acknowledges that it will be necessary to replace Concorde one day. Since the benefits of supersonic flight are "enormous", he has no doubt that Concorde will be superseded by a second generation supersonic aircraft.

"It took just over 60 years to get from the Wright Brothers to Concorde. It is not a case of 'if', it's a case of 'when', and it's 'when' that will decide what we end up with," he says. His enthusiasm appears to be *shared by others, in particular* by the informal seven-nation *group of companies which has* quietly been examining the feasibility for a successor to Concorde – dubbed rather unflatteringly, the High Speed Commercial Transport (HSCT).

For several years, Boeing and McDonnell Douglas of the US, Aerospatiale of France, British Aerospace and Deutsche Aerospace (DASA) of Germany have been studying the possibility of such an aircraft. More recently, *they have* been joined by Italian, Russian and Japanese industry representatives in the Supersonic Commercial Transport International Co-operation Study Group, or more informally "the *supersonic club*".

The go-ahead could be given soon after the end of the decade and the aircraft could be in service by 2010

The group has been concentrating on three main issues, the technological requirements *for a second generation super*sonic airliner, environmental considerations and finally the potential market for the new jet. Mr Bob McKinlay, who heads BAe's Airbus programme, says that although there are still technical and other unresolved issues, the group's preliminary conclusion "is that there don't seem to be any show stoppers".

Like the airlines, the aerospace industry believes the only real questions are when a new supersonic aircraft will be built, and who will be in the final consortium. The study project is being pushed forward in stages, but the consensus view is that, providing no insurmountable technological hurdles are encountered, the go-ahead could be given soon after the end of the decade and that the aircraft could be in service somewhere between 2005 and 2010.

Convincing others outside the industry, especially environmentalists and the governments that will probably have to subscribe most of the $5bn-*plus cost, is likely to be as dif*ficult as agreeing on a design in which the manufacturers can share. But time is running out if the option of travelling at supersonic speed is to be continuously maintained.

By the turn of the century Concorde will have been in regular service for nearly 25 years. That is normally about the maximum life-span for an airliner, although Concorde's *annual usage is much lower.* Nevertheless, if any HSCT is to enter service in the early part of the next century, much of the preliminary research and development must be undertaken in the current decade.

Perhaps the most critical factor in the final decision on whether to go ahead with a "son of Concorde" is the likely market for supersonic travel. Concorde, with its payload of only 100 seats, has always been viewed as a "top persons' airliner", with a premium fare which has limited its market.

But there is now a wider appreciation of the benefits of faster travel, as more people fly longer non-stop distances. By 2000, it is believed that long-distance traffic will have *doubled* in volume, stimulated by such new-generation subsonic long-range airliners such as the Airbus A-340, Boeing 747-400 and McDonnell Douglas MD-11.

There are differing views about the *size of the potential* market. Some believe that demand in the first quarter of the next century could justify up to as many as 1,000 new supersonic aircraft, worth some $200-300bn, collectively carrying up to as many as 600,000 passengers a day. But European analysts, with the reality of Concorde behind them, tend to be more cautious, assessing the market at no more than a few hundred or so aircraft.

To be commercially viable, the next generation of supersonic airliners will have to be much bigger than Concorde, fly slightly faster and have a significantly longer range. Although he emphasises no formal decision to go ahead has been taken, Mr McKinlay believes any new supersonic aircraft would need to seat 250 to 300 people in several classes, fly at between Mach 2 and Mach 2.25 and have a range in excess of 5,500 miles compared to Concorde's 3,500 miles.

The range is critical because it would open up new high density routes *such as the* trans-Pacific routes from America's west coast to Asia, for instance Los Angeles to Tokyo. But to achieve ranges of that order, the new aircraft will need to utilise high technology, low weight materials and a specialised power plant – probably a form of variable cycle engine which would help it meet some of the environmental noise objections while *flying at subsonic speeds.*

Such an aircraft could cut many long distance journey times in half and help attract new travellers to supersonic flight. Nevertheless fares, although perhaps not as high as Concorde, will probably still reflect a technology premium for supersonic travel.

The HSCT will be expensive to build and is likely to face even more severe environmen*tal demands than Concorde in* terms of noise levels and pollution. Meeting those demands will be difficult technologically and financially – far beyond the capabilities of any one company. There is no doubt that the HSCT, whenever it is built, will have to be a consortium venture.